

NEW ISSUE – Book-Entry-Only

RATING: Moody's: "Aaa"

Underlying: "Aa2"

INSURANCE: MBIA Insurance Corporation

\$8,490,000

SANTA FE COUNTY, NEW MEXICO

General Obligation Refunding Bonds

Series 2005

Dated: Date of Delivery

Due: July 1, as shown below

The Bonds are issuable as fully registered bonds and when initially purchased will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each January 1 and July 1, commencing January 1, 2006. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to the registered owner will mean Cede & Co., and payments of principal or interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds – Book-Entry-Only System" herein. The Santa Fe County Treasurer is the Registrar and Paying Agent for the Bonds.

The Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Bonds will bear interest from the delivery date.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

The Bonds are general obligations of Santa Fe County, New Mexico (the "County"), payable solely out of general (ad valorem) taxes which shall be levied against all taxable property in the County without limitation as to rate or amount.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds



The County has undertaken, for the benefit of the owners of the Bonds, to provide certain annual and periodic disclosures described under the caption "CONTINUING DISCLOSURE INFORMATION" herein.

The Bonds are not subject to optional redemption prior to maturity. See "THE BONDS - Optional Redemption of Bonds" Herein.

The Bonds are being issued pursuant to Sections 6-15-11 through 6-15-22 NMSA 1978, as amended, for the purpose of refunding the outstanding Santa Fe County, New Mexico General Obligation Bonds, Series 1997 (the "Series 1997 Bonds") maturing on and after July 1, 2007.

The Bonds are offered when, as and if issued by the County, subject to the approval of Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel and certain other conditions. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the County in connection with the preparation of this Official Statement and the sale of the Bonds. It is expected that the Bonds will be available for delivery on or about August 18, 2005, through the facilities of the Depository Trust Company, New York, New York.

Dated: July 12, 2005.

RBC DAIN RAUSCHER INC.

MATURITY SCHEDULE

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.</u>
2006	\$ 90,000	3.250%	100.467%	801889 GQ 3
2007	450,000	3.250%	100.757%	801889 GR 1
2008	655,000	3.250%	100.844%	801889 GS 9
2009	815,000	3.250%	100.576%	801889 GT 7
2010	835,000	3.500%	101.295%	801889 GU 4
2011	860,000	3.750%	102.165%	801889 GV 2
2012	885,000	3.750%	101.879%	801889 GW 0
2013	920,000	4.000%	102.993%	801889 GX 8
2014	950,000	4.000%	102.475%	801889 GY 6
2015	990,000	4.000%	102.042%	801889 GZ 3
2016	200,000	5.000%	110.411%	801889 HA 7
2016	840,000	4.000%	101.585%	801889 HB 5

CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the County nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by Santa Fe County, New Mexico (the "County") or the Underwriters to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the County and from other sources believed by the County to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the County described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Bonds have not been registered under the Securities Act of 1933, in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is "deemed final" by the County for purposes of Rule 15c2-12 of the Municipal Securities Rulemaking Board. The County has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "project," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. A number of such risks and uncertainties are described under the heading "SPECIAL FACTORS RELATING TO THE BONDS."

SANTA FE COUNTY, NEW MEXICO

County Administration Building
102 Grant Avenue
Santa Fe, New Mexico 87501
(505) 986-6200

COUNTY COMMISSION

Chairman	Mike D. Anaya
Commissioner	Harry Montoya
Commissioner	Paul Campos
Commissioner	Jack Sullivan
Commissioner	Virginia Vigil

ADMINISTRATION

County Manager	Gerald T.E. Gonzalez
County Clerk	Valerie Espinoza
County Treasurer	Victor Montoya
County Assessor	Benito Martinez
County Finance Director	Susan Lucero
County Attorney	Stephen C. Ross

UNDERWRITER

RBC Dain Rauscher Inc.
6301 Uptown Boulevard N.E.
Suite 110
Albuquerque, New Mexico 87110

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street, NW
Albuquerque, New Mexico 87102
(505) 848-1800

PAYING AGENT/REGISTRAR

Santa Fe County Treasurer's Office
102 Grant Avenue
Santa Fe, New Mexico 87501

ESCROW AGENT

Bank of Albuquerque, N.A.
201 Third Street NW
Suite 1400
Albuquerque, New Mexico 87102

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OFFICIAL STATEMENT

\$8,490,000

**Santa Fe County, New Mexico
General Obligation Refunding Bonds
Series 2005**

INTRODUCTION AND SUMMARY

This Official Statement is furnished to prospective purchasers of the Santa Fe County, New Mexico, General Obligation Refunding Bonds, Series 2005 (the "Bonds"), issued in the aggregate principal amount of \$8,490,000 by Santa Fe County, New Mexico (the "County"). The offering of the Bonds is made only by way of this Official Statement and the Bond Resolution adopted by the Board of County Commissioners (the "Board") on July 12, 2005 (the "Resolution"). Additional information concerning the County, the Bonds and other aspects of this offering may be obtained either from the County or from RBC Dain Rauscher Inc. (the "Underwriter") at the address set forth in the section entitled "ADDITIONAL INFORMATION."

The following material is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other use of this "INTRODUCTION AND SUMMARY" without the entire Official Statement, including the cover page and the appendices, is unauthorized.

All terms used in this Official Statement that are not defined herein shall have the meanings given such terms in the Resolution.

The Issuer

The County is located in north central New Mexico, with a land area of 1,909 square miles and a population of 138,705 (estimated 2005). The City of Santa Fe is the State capital and County seat. The economy is based primarily upon government and related activities, retail trade, tourism, and cultural and recreational activities and facilities.

Authority for Issuance and Purpose

The Bonds are issued in accordance with the laws of the State of New Mexico, in particular, Sections 6-15-11 through 6-15-22 NMSA 1978, as amended and supplemented. The County is authorized under those sections to issue bonds to provide funds for the purpose of refinancing and refunding its outstanding General Obligation Bonds, Series 1997 (the "Series 1997 Bonds"), maturing on and after July 1, 2007 (the "Refunded Series 1997 Bonds").

The Bonds

The Bonds will be registered as to principal and interest, issued in denominations of \$5,000 each, or integral multiples thereof, in conformance with the Constitution and laws of the State and pursuant to the Resolution. The Bonds shall mature in the principal amounts and on the dates shown on the cover page hereof. Interest shall be payable January 1, 2006 and on July 1 and January 1 of each year thereafter to registered owners shown on the books of the Registrar on the 15th day of the month preceding each regularly scheduled interest payment date thereafter (a "Record Date"). The Bonds will be issued only in fully registered form and will be initially registered and delivered to Cede & Co., the nominee of "DTC" pursuant to the book-entry-only system described herein.

Security

The Bonds are secured by the County's full faith and credit and are general obligations of the County payable from ad valorem taxes to be levied, without limitation as to rate or amount, against all taxable property within the County. See "SECURITY AND REMEDIES."

Purpose

The Bonds are being issued to refund and defease the Series 1997 Bonds maturing on and after July 1, 2007 (the "Refunded Series 1997 Bonds"). The Refunded Series 1997 Bonds will be redeemed prior to maturity on July 1, 2006 at a redemption price of 100%. An escrow fund (the "Escrow Fund") will be established in accordance with the terms and provisions of an escrow agreement by and between the County and Bank of Albuquerque, N.A., escrow agent for the Refunded Series 1997 Bonds, for deposit of proceeds of the Bonds and other available moneys to pay the outstanding principal of and interest on the Refunded Series 1997 Bonds.

Financial Statements

The County's audited financial statements as of and for the year ended June 30, 2004 including the opinions rendered thereon of certified public accountants, are attached as Exhibit B.

	<u>2004 Tax Year</u>
2004 Assessed Valuation	\$ 4,374,594,705
2004 Estimated Actual Valuation	13,303,071,231
County Net Debt as a Percentage of:	
Assessed Valuation	1.01%
Estimated Actual Valuation	0.33%
Direct and Overlapping Debt as a % of:	
Assessed Valuation	3.62%
Estimated Actual Valuation	1.19%
2004 Estimated Population	138,705
County General Obligation	
Current Outstanding Debt	38,483,998
Series 2005 Bond Issue	8,490,000
County Net General Obligation Debt	44,066,098
Estimated Direct & Overlapping G/O Debt	158,368,355
District Net Debt Per Capita	\$317.70
Direct & Overlapping Debt Per Capita	\$ 1,141.76

See "DEBT AND OTHER FINANCIAL OBLIGATIONS – General Obligation Debt" herein.

Tax Matters

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX EXEMPTION" herein, including the alternative minimum tax on corporations.

Agents and Advisors

The County Treasurer will serve as Paying Agent and Registrar. Barraclough & Associates has audited the County's general purpose financial statements as of and for the year ended June 30, 2004. Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, has acted as bond counsel for the issuance of the Bonds and has also acted as special counsel to the City in connection with the preparation of this Official Statement and the sale of the Bonds. See "LEGAL MATTERS" herein. Bank of Albuquerque, N.A. will serve as Escrow Agent. Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado, will verify certain mathematical computations relating to adequacy of funds deposited to refund the Refunded Series 1997 Bonds. See "PURPOSE AND PLAN OF FINANCING" and "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS" herein.

Additional Information

This Official Statement is accurate only as of its date, and no representation is made that the information contained herein has not changed since that date. This Official Statement is intended to be made available to investors through the Underwriter.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of those statutes, regulations and documents may be obtained upon request directed to the County, and upon payment to the County of a charge for copying, mailing and handling, at the Santa Fe County Administration Building, 102 Grant Avenue, Santa Fe, New Mexico 87501, telephone number (505) 986-6200, Attention: County Manager.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract between the County and the purchasers or holders of any of the Bonds.

THE BONDS

Description

The Bonds are general obligation refunding bonds to be issued by the County in the total principal amount of \$8,490,000 and will be dated the Date of Delivery, which is expected to be on or about August 18, 2005. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof, bearing interest from their date to maturity at the rates specified on the cover page of this Official Statement payable semiannually on January 1 and July 1 each year, commencing on January 1, 2006, and maturing serially, as set forth on the cover page of this Official Statement.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners hereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Authorization

The Bonds are being issued pursuant to the Board's powers under Sections 6-15-11 through 6-15-22 NMSA 1978, as amended and supplemented, the Constitution and other laws of the State, and the Resolution.

Bond Registrar and Paying Agent

The County Treasurer will serve as the Bond Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the calendar month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by the Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

Optional Redemption of Bonds

The Bonds are not subject to optional redemption.

Exchange or Transfer of Bonds

The Registrar/Paying Agent will maintain the books of the County for the registration of ownership of the Bonds. Upon the surrender for transfer of any Bond at the principal office of the Registrar/Paying Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be transferred in the name of the transferee or transferees a new Bond or Bonds in fully registered form of the same aggregate principal amount of authorized denominations, and of the same maturity, interest rate and series, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the principal office of the Registrar/Paying Agent for an equal aggregate principal amount of Bonds of other authorized denominations, and of the same maturity, series and interest rate. The Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be exchanged a Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of Bonds as herein provided shall be without charge to the owner or any transferee, but the Registrar/Paying Agent may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Tax Covenants

In the Resolution, the County covenants for the benefit of the owners of the Bonds that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

The County further covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield, as required, on investment property acquired with those proceeds, (iii) make timely rebate payments, if required, to the federal government, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. See "TAX EXEMPTION" herein.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. One fully registered bond for each maturity, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, LLC; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, (the "Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser or each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose such accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the County, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co. or its registered assign is the registered owner of the Bonds, the County will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Resolution and any applicable laws, notwithstanding any notice to the contrary received by the County, and the County will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds.

When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference relates only to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and the County does not have responsibility for distributing such notices to the Beneficial Owners.

The County does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment of DTC or any DTC Participant of any amount due to any Beneficiary Owner in respect of principal of and premium, if any, and interest on the Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed.

SECURITY AND REMEDIES

General

The Bonds are general obligations of the County payable from ad valorem taxes, which may be levied against all taxable property within the County without limitation of rate or amount. The Bonds are secured by the obligation of the Board of County Commissioners of Santa Fe County to levy and collect upon all taxable property within the County a tax rate levy sufficient, together with other legally available revenues, to meet the debt service on the Bonds. Such annual levy for debt service creates a statutory tax lien that can be enforced personally against the owner of the property or enforced by sale of the property. Neither the State nor any other political subdivision has any responsibility to pay the debt service on the Bonds.

Legal Matters

Various State laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no assurance that there will not be any amendment, change in the interpretation of, or addition to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the County.

Limitations on Remedies Available to Owners of Bonds

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the County in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles, which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the

owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

PURPOSE AND PLAN OF FINANCING

The Bonds are being offered for the purpose of refunding that portion of the County's outstanding Series 1997 Bonds maturing in the years 2007 through 2016.

The principal and interest due on the Refunded Series 1997 Bonds are to be paid on July 1, 2006, from funds to be deposited pursuant to the Escrow Agreement between the County and Bank of Albuquerque, N.A., as escrow agent (the "Escrow Agent"). The Resolution provides that the County will deposit with the Escrow Agent, from proceeds of the sale of the Bonds received from the Underwriter and cash, the amount necessary to accomplish the discharge and payment of the Refunded Series 1997 Bonds on and until July 1, 2006. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Series 1997 Bonds.

Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado, will verify at the time of delivery of the Bonds, the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts that, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Series 1997 Bonds on July 1, 2006. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS" herein.

By depositing the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the County will effect the defeasance of the Refunded Series 1997 Bonds in accordance with the law. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Series 1997 Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent, and such Refunded Series 1997 Bonds will not be deemed to be outstanding obligations of the County payable from taxes or for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the Bonds, other than accrued interest, are set forth in the following table.

SOURCES OF FUNDS

Par amount of Bonds	\$8,490,000.00
Reoffering Premium	165,510.70
Transfer from Debt Service Fund for 1997 Bonds	<u>35,963.96</u>
 TOTAL SOURCE OF FUNDS	 <u>\$8,691,474.66</u>

USES OF FUNDS

Deposit to Escrow Fund	\$8,556,108.83
Cost of Issuance ⁽¹⁾	84,510.73
Underwriter's Discount	<u>50,855.10</u>
 TOTAL USES OF FUNDS	 <u>\$8,691,474.66</u>

- (1) Includes certain legal fees and other miscellaneous costs and contingencies, plus the cost of a municipal bond insurance policy.

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

Article IX, Section 13, of the New Mexico Constitution limits the powers of a county to incur general obligation debt in an aggregate amount, including existing indebtedness, exceeding four percent of the value of the taxable property within such county as shown by the last preceding general assessment. A test for maximum general obligation bonds outstanding of the County follows:

2004 Assessed Valuation	\$ 4,374,594,705
2004 Estimated Actual Valuation	\$13,303,071,231
Bonded Debt	
Current Outstanding Debt	\$ 38,483,998
Series 2005 Refunding Bonds	\$ 8,490,000
Less Debt Service Fund Balance	<u>3,007,900</u>
NET DEBT	<u>\$ 44,066,098</u>
Ratio of Estimated Net Debt to 2004 Assessed Valuation	1.01%
Ratio of Estimated Net Debt to 2004 Estimated Actual Valuation	0.33%
Per Capita Net Bonded Debt:	\$317.70
2004 Estimated Population:	138,705

On November 2, 2004, the voters of Santa Fe County approved the issuance of up to \$72,150,000 in General Obligation Bonds, which the County expects to be issued within three years.

Debt Service Requirements to Maturity

The following represents annual debt service expenses on the County's outstanding debt.

TYE 31-Oct	<u>Present Requirement</u>			<u>Series 2005 Bonds</u>			<u>Total</u>	<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>		
2005	\$ 1,945,000	\$ 1,841,447	\$ 3,786,447					\$ 3,786,447
2006	2,470,000	1,738,292	4,208,292	\$ 90,000	3.25%	\$276,472	\$ 366,472	4,574,765
2007	2,570,000	1,633,527	4,203,527	450,000	3.25%	315,063	765,063	4,968,590
2008	2,678,998	1,523,789	4,202,787	655,000	3.25%	300,438	955,438	5,158,225
2009	2,825,000	1,392,588	4,217,588	815,000	3.25%	279,150	1,094,150	5,311,738
2010	2,975,000	1,246,445	4,221,445	835,000	3.50%	252,663	1,087,663	5,309,108
2011	3,135,000	1,090,650	4,225,650	860,000	3.75%	223,438	1,083,438	5,309,088
2012	3,285,000	944,370	4,229,370	885,000	3.75%	191,188	1,076,188	5,305,558
2013	3,445,000	789,018	4,234,018	920,000	4.00%	158,000	1,078,000	5,312,018
2014	2,525,000	623,568	3,148,568	950,000	4.00%	121,200	1,071,200	4,219,768
2015	2,645,000	500,393	3,145,393	990,000	4.00%	83,200	1,073,200	4,218,593
2016	2,775,000	370,688	3,145,688	1,040,000	4.19%	43,600	1,083,600	4,229,288
2017	2,905,000	235,338	3,140,338	-		-	-	3,140,338
2018	2,305,000	103,725	2,408,725	-		-	-	2,408,725
2019	-	-	-	-		-	-	-
	<u>\$38,483,998</u>	<u>\$14,033,836</u>	<u>\$52,517,834</u>	<u>\$8,490,000</u>		<u>\$2,244,410</u>	<u>\$10,734,410</u>	<u>\$63,252,244</u>

Statement of Estimated Direct and Overlapping Debt

The following calculation analyzes the debt load and per capita debt of the County payable from property taxes. In addition to outstanding debt of the County, the calculation takes into account debt attributable to taxing entities that is the responsibility of taxpayers within the boundaries of the County.

<u>Municipal Entity</u>	<u>2004 Assessed Valuation</u>	<u>G/O Debt Outstanding</u>	<u>Percent Applicable</u>	<u>Amount</u>
State of New Mexico	\$34,918,180,808	\$315,925,000	12.53%	\$ 39,579,491
City of Santa Fe	2,222,507,281	-	50.80%	-
Santa Fe Community College	4,020,807,048	12,825,000	91.91%	11,787,801
Santa Fe Schools	4,020,807,048	65,200,000	91.91%	59,927,065
Santa Fe County	4,374,594,705	47,073,998	100.00%	<u>47,073,998</u>
Total Direct & Overlapping Debt				<u>\$158,368,355</u>
Ratio of Estimated Direct & Overlapping Debt to 2004 Assessed Valuation:				3.62
Ratio of Estimated Direct & Overlapping Debt to 2004 Estimated Actual Valuation:				1.19
Per Capita Direct & Overlapping Debt:				\$1,141.76

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the County is calculated as follows: Of the total estimated actual valuation of all taxable property in the County, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2004 Assessed Valuation is \$4,374,594,705. The actual value of personal property within the County (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the County (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division.

The analysis of Assessed Valuation follows:

Analysis of Assessed Valuation

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Assessments					
Value of Land	\$1,489,737,116	\$1,385,161,475	\$1,336,877,517	\$1,309,888,597	\$1,247,423,167
Improvements	2,744,373,252	2,518,258,081	2,286,871,139	2,140,633,233	2,030,859,546
Personal Property	74,865,780	71,435,563	74,608,982	69,357,032	71,943,037
Mobile Homes	45,069,390	43,748,312	43,972,232	43,954,702	43,918,143
Livestock	1,492,914	1,126,856	1,322,724	1,209,097	1,356,620
Assessors Total Taxable Value	\$4,355,538,452	\$4,019,730,287	\$3,743,652,594	\$3,565,042,661	\$3,395,500,513
Less Exemptions					
Head of Family	32,395,000	31,832,000	31,602,000	30,657,700	29,852,500
Veterans	27,367,372	20,187,329	10,327,929	10,057,453	10,410,047
Other	----	----	----	----	----
Total	\$ 59,762,372	\$ 52,019,329	\$ 41,929,929	\$ 40,715,153	\$ 40,262,547
Assessors Net Taxable Value	4,295,776,080	3,967,710,958	3,701,722,665	3,524,327,508	3,355,237,966
Centrally Assessed	78,818,625	85,532,236	88,160,331	92,804,506	87,911,017
Total Assessed Valuation	<u>\$4,374,594,705</u>	<u>\$4,053,243,194</u>	<u>\$3,789,882,996</u>	<u>\$3,617,132,014</u>	<u>\$3,443,148,983</u>

Source: State of New Mexico, Taxation and Revenue Department, Property Tax Division, and Office of the Santa Fe County Assessor.

A further analysis of Assessed Valuation classified as Residential and Non-Residential for the last five years follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Residential	\$3,228,093,487	\$2,940,472,255	\$2,724,893,846	\$2,576,404,485	\$2,363,317,372
Non-Residential	1,146,501,218	1,112,770,939	1,064,989,150	1,040,727,529	1,079,831,611
Total	<u>\$4,374,594,705</u>	<u>\$4,053,243,194</u>	<u>\$3,789,882,996</u>	<u>\$3,617,132,014</u>	<u>\$3,443,148,983</u>
Growth	7.93%	6.95%	4.78%	5.05%	

Source: State of New Mexico, Taxation and Revenue Department, Property Tax Division, and Office of the Santa Fe County Assessor.

History of Assessed Valuation

The following is a history of assessed valuation for the City of Santa Fe and the County. Since 2000, the tax base of the City has increased 23% and the tax base of the County has increased 35%.

<u>Tax Year</u>	<u>City of Santa Fe</u>	<u>Santa Fe County</u>
2004	\$2,415,092,247	\$4,374,594,705
2003	2,222,507,281	4,053,243,194
2002	2,116,696,125	3,789,882,996
2001	2,021,559,757	3,617,132,014
2000	1,959,660,020	3,443,148,983

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the County to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the County voting on the question. The following table summarizes the tax situation on residential property located within the County for 2003-4 Fiscal Year and the previous four years. The County expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may adversely impact the County's ability to repay bonds.

RESIDENTIAL TAX RATES - Per \$1,000 Assessed Valuation – Tax Years Within 20 Mill Limit for General Purposes

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Santa Fe County	4.617	4.690	4.788	4.823	4.983
City of Santa Fe	0.459	0.464	0.468	0.472	0.464
Santa Fe Public Schools	<u>0.119</u>	<u>0.121</u>	<u>0.124</u>	<u>0.125</u>	<u>0.128</u>
Total	5.195	5.275	5.380	5.420	5.525

Over 20 Mill Limit - Interest, Principal, Judgment, etc.

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
State of New Mexico	1.028	1.520	1.123	1.765	1.529
Santa Fe County	1.007	1.386	0.527	0.720	0.546
City of Santa Fe	0.000	0.000	0.000	0.000	0.000
Santa Fe Community College	3.221	3.264	3.318	3.346	2.948
Santa Fe Public Schools	<u>7.043</u>	<u>7.367</u>	<u>7.454</u>	<u>7.419</u>	<u>7.494</u>
Total	12.299	13.537	12.467	13.250	12.517

Total Levy

	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>	<u>2000-01</u>
State of New Mexico	1.028	1.520	1.123	1.765	1.529
Santa Fe County	5.624	6.076	5.360	5.593	5.479
City of Santa Fe	0.459	0.464	0.468	0.472	0.464
Santa Fe Community College	3.221	3.264	3.318	3.346	2.948
Santa Fe Public Schools	7.162	7.488	7.578	7.544	7.622
Total Residential in City of Santa Fe	17.494	18.812	17.847	18.670	18.042
Total Non-Residential in City of Santa Fe	<u>24.648</u>	<u>25.428</u>	<u>23.883</u>	<u>24.264</u>	<u>21.799</u>
Total Residential in Unincorporated County	17.035	18.348	17.379	18.198	17.578
Total Non-Residential in Unincorporated County	23.382	24.136	22.615	23.030	20.461
Total Residential in City of Española	\$19.926	\$17.600	\$18.498	\$18.409	\$19.537
Total Non-Residential in City of Española	\$25.119	\$22.117	\$23.183	\$23.093	\$23.084
Total Residential in Town of Edgewood	\$17.204	\$17.578	\$16.803	\$17.088	\$16.520
Total Non-Residential in Town of Edgewood	\$22.615	\$22.471	\$21.197	\$21.088	\$19.347

Source: State of New Mexico, Department of Finance & Administration and Office of the Santa Fe County Assessor.

Major Taxpayers

The ten largest taxpayers in Santa Fe County have a combined valuation of \$96,415,237, representing 2.39% of the total assessed valuation within the County.

<u>Name</u>	<u>Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Qwest Corporation	Telephone Utility	\$21,998,005	0.55%
Public Service Company of New Mexico	Electric Utility	21,698,523	0.54%
La Posada, Inc.	Hotel	11,173,194	0.28%
NM Mall Partners	Shopping Center	10,142,421	0.25%
Corporation de La Fonda	Hotel	6,333,333	0.16%
Eldorado Partnership	Hotel	6,098,167	0.15%
Zorro Ranch	Real Estate	6,048,466	0.15%
Truzaf Limited Partnership	Real Estate	4,539,782	0.11%
James F. Kirkpatrick	Developer	4,220,316	0.10%
NM Hotels	Hotel	4,163,030	0.10%

Source: New Mexico Taxation & Revenue Department, Property Tax Division.

Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value," as defined by Statute, divided by such prior property tax year's total taxable property value; but if that percentage is less than 100 percent, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year's index over the index for the calendar year next preceding the prior calendar year (unless there was a decrease, in which case zero if used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

Limitations on Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property

values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

A bill implementing the constitutional amendment was adopted by the Legislature during the 2001 Legislative Session and signed by the Governor on April 5, 2001. Section 7-36-21.2, NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. Annual valuation increases will be limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. These limitations do not apply under the following exceptions:

1. When property is being valued for the first time;
2. When physical improvements are made to the property;
3. When a change of ownership outside the family occurs;
4. When a change in zoning or use of property occurs; and
5. When the sales ratio for any county as measured by value to sales price, in the 2000 tax year, is less than 80%. In this case, the County will conduct a reassessment of residential property in the County so that by the 2005 tax year, the sales ratio is at least 80%. After such reassessment, the limitation on increases in valuation will apply in those counties in the earlier of the 2006 tax year or the first tax year following the tax year that the county has a sales ratio of 80% or higher.

Section 7-36-21.3, NMSA 1978 places a limitation on the increase in value for property taxation purpose for single-family dwellings occupied by low-income owners sixty-five years of age or older or the disabled.

Tax Collections on Locally Assessed and Centrally Assessed Property

General (ad valorem) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which each county treasurer collects taxes are presented here:

Property Tax Collections for Santa Fe County

Tax Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied
2004	\$84,601,765	\$51,332,904	60.68%	\$51,332,904	60.68%
2003	81,872,179	76,896,688	93.81%	79,732,275	97.27%
2002	73,601,059	68,439,359	93.11%	72,545,247	98.70%
2001	72,022,736	67,646,004	93.92%	71,480,729	99.25%
2000	65,033,293	60,917,969	93.67%	64,896,904	99.79%
1999	59,644,251	52,442,772	87.93%	59,463,083	99.70%
1998	49,209,616	45,836,214	93.14%	49,211,963	100.00%
1997	46,942,001	43,623,262	92.93%	46,905,766	99.92%
1996	42,892,632	39,640,895	92.42%	42,501,866	99.09%
1995	40,331,682	37,156,888	92.13%	40,287,540	99.89%

¹ Collections through June 30 of each year.

² As of January, 2005.

Source: Office of the Santa Fe County Treasurer.

Interest on Delinquent Taxes

Pursuant to Section 7-38-49 NMSA 1978, if property taxes are not paid for any reason within thirty days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth day after they are due until the date they are paid. Interest accrues at the rate of one percent per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50 NMSA 1978, if property taxes become delinquent, a penalty of one percent of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed five percent of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property taxes due or \$50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47 NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation

purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. A lien runs in favor of the State and secures the payment of property taxes and any penalty and interest until such payments are made. Such lien is a first lien and paramount to any other interest in the property, perfected or unperfected. Pursuant to Section 7-38-65 NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53 NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

Protest

Pursuant to Section 7-38-39 NMSA 1978, after receiving his or her property tax bill and after making payment prior to the delinquency date of all property taxes due in accordance with the bill, a property owner may protest the value or classification determined for his or her property for property taxation purposes, the allocation of value of his or her property to a particular governmental unit, the application to his or her property of an administrative fee adopted pursuant to Section 7-38-36.1 NMSA 1978 or a denial of a claim for an exemption by filing a claim for refund in the district court. Pursuant to Section 7-38-41 NMSA 1978, the portion of any property taxes paid to the County Treasurer that is not admitted to be due and is the subject of a claim for refund will be deposited in a "property tax suspense fund." Moneys in the property tax suspense fund may not be used for the payment of debt service on the Bonds.

FINANCES OF THE COUNTY

Budget Process

The County's budget is based on a fiscal year beginning July 1 and ending June 30 of the following year. The County Administration is responsible for preparing the budget. Prior to June 1, the Board is required to submit a working draft of the budget to the Local Government Division of the State Department of Finance and Administration (the "Finance Department") for its approval. By July 1 of the new fiscal year, the Finance Department approves and certifies to the County an operating budget for use pending approval of the final budget. Prior to August 1, the County submits a final budget to the Finance Department for approval. Prior to the first Monday in September, the Finance Department must certify the final budget with whatever adjustments it deems necessary to comply with State statutes. Approval of the Finance Department is required for all budget increases, cash transfers between funds, and budget transfers between departments within a fund or between funds. If adequate fund balances are available from the prior year, the County budgets expenditures in excess revenues. The County was awarded the Government Finance Officers' Association award for its Fiscal Year 2005 Budget presentation.

Financial Statement

The following Statement of Revenues, Expenditures and Changes in Fund Balances has been included herein for informational purposes only. Figures were taken from the audit reports prepared by the County's independent auditors. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request.

General Fund

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

<u>Fiscal Year Ended June 30</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues					
Grants	\$ 3,934,134	\$ 2,369,177	\$ 2,593,719	\$ 2,079,818	\$ 2,264,916
Taxes and special assessments	30,865,339	29,545,100	28,625,024	28,791,363	24,082,504
Interest earnings	729,306	1,062,548	1,255,025	2,051,183	1,395,830
Charges for services, fines and penalties	1,869,938	1,356,491	1,331,281	1,373,295	670,056
Licenses and permits		383,893	1,383,859	1,006,019	1,027,666
Other	154,522	1,216,516	421,517	157,495	118,907
Total revenues	<u>\$37,553,239</u>	<u>\$35,933,725</u>	<u>\$35,610,425</u>	<u>\$35,459,173</u>	<u>\$29,559,879</u>
Expenditures:					
Current					
General government services	\$11,541,007	\$12,825,000	\$13,129,586	\$11,835,760	\$11,419,098
Public safety	5,707,233	6,317,307	9,191,042	8,045,160	7,447,236
Highways and streets	3,778,284	3,966,134	4,186,458	3,824,952	4,815,194
Health and welfare	1,711,716	1,356,366	2,147,689	1,047,752	967,292
Culture and recreation	509,421	369,699	169,419	79,336	143,764
Economic development	-	-	-	-	-
Capital outlay	3,978,924	-	-	-	-
Debt service (principal and interest)	-	-	-	-	-
Total expenditures	<u>\$27,226,585</u>	<u>\$24,834,511</u>	<u>\$28,824,194</u>	<u>\$24,832,960</u>	<u>\$24,792,584</u>
Excess (Deficiency) or Revenues over Expenditures	<u>\$10,326,654</u>	<u>\$11,099,214</u>	<u>\$ 6,786,231</u>	<u>\$10,626,213</u>	<u>\$ 4,767,295</u>
Other Financing Sources (Uses):					
Operating transfers, in	1,295,709	719,867	479,742	1,590,436	889,268
Operating transfers, out	(9,945,566)	(9,097,246)	(9,481,846)	(5,845,741)	(5,413,752)
Total other financing sources (uses)	<u>(8,649,857)</u>	<u>(8,377,379)</u>	<u>(9,002,104)</u>	<u>(4,255,305)</u>	<u>(4,524,484)</u>
Excess (Deficiency) of Revenues and other Financing Sources over expenditures and other financing uses	1,676,797	2,721,835	(2,215,873)	6,370,908	242,811
Fund balance, beginning of year	19,133,595	16,411,760	18,627,633	12,256,725	12,013,914
Prior period corrections	166,603	-	-	-	-
Fund balance, as restated	<u>19,300,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,013,914</u>
Fund balance, end of year	<u>\$20,976,995</u>	<u>\$19,133,595</u>	<u>\$16,411,760</u>	<u>\$18,627,633</u>	<u>\$12,256,725</u>

The audited figures for fiscal years ended June 30, 2004, 2003, 2002, 2001 and 2000 were taken from audit reports prepared by the County's independent auditor and are presented for informational purposes only. Reference is made to the complete audit reports, which are available upon request.

General Fund - Historical Balance Sheets

<u>Fiscal Year Ended June 30</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
ASSETS					
Equity in pooled cash and investments – Unrestricted	\$16,618,483	\$11,722,169	\$12,604,463	\$14,748,463	\$12,124,071
Equity in pooled cash and investments - Restricted	1,815,290	-	-	-	-
Receivables, net of allowance for uncollectable					
Accounts	44,090	350,530	1,563,414	467,143	329,658
Taxes	4,093,888	3,572,557	1,256,505	1,523,587	634,828
Interest	86,805	-	-	-	193,182
Grantor agencies and other	977,454	-	-	738,468	702,249
Due from other funds	2,144,421	7,958,239	5,462,935	2,620,039	355,683
Due from other governments	-	937,716	934,411	-	-
	<u>\$25,780,431</u>	<u>\$24,541,211</u>	<u>\$21,821,728</u>	<u>\$20,097,700</u>	<u>\$14,339,671</u>
Total Assets					
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenditures	\$ 1,664,756	\$ 1,081,862	\$ 1,485,421	\$ 941,816	\$ 2,013,315
Due to other funds	-	-	4,376	69,622	69,631
Deferred revenue	3,088,559	4,325,754	3,920,171	458,629	-
Due to HUD	-	-	-	-	-
Deposits held for others	50,121	-	-	-	-
	<u>\$ 4,803,436</u>	<u>\$ 5,407,616</u>	<u>\$ 5,409,968</u>	<u>\$ 1,470,067</u>	<u>\$ 2,082,946</u>
Total Liabilities					
Fund Balance					
Reserved for					
Encumbrances	\$ 1,533,395	\$ 28,243	\$ 1,949,193	\$ 1,802,691	\$ 1,373,716
Subsequent year expenditures	-	9,427,906	7,206,049	6,474,014	-
Debt service	-	-	-	-	-
Total reserved fund balance	<u>\$1,533,395</u>	<u>\$9,456,149</u>	<u>\$ 9,155,242</u>	<u>\$8,276,705</u>	<u>\$ 1,373,716</u>
Unreserved – Designated for					
Subsequent year expenditures by grant or law	-	-	-	-	-
Contingency	1,815,290	-	-	-	7,268,876
Capital improvements	-	-	-	-	-
Unreserved – Undesignated	<u>17,628,310</u>	<u>9,677,446</u>	<u>7,256,518</u>	<u>10,350,928</u>	<u>3,614,133</u>
	<u>19,443,600</u>	<u>9,677,446</u>	<u>7,256,518</u>	<u>10,350,928</u>	<u>10,883,009</u>
Total unreserved fund balance					
	<u>20,976,995</u>	<u>19,133,595</u>	<u>16,411,760</u>	<u>18,627,633</u>	<u>12,256,725</u>
Total fund balance					
	<u>\$25,780,431</u>	<u>\$24,541,211</u>	<u>\$21,821,728</u>	<u>\$20,097,700</u>	<u>\$14,339,671</u>
Total liabilities and fund balance					

The audited figures for fiscal years ended June 30, 2004, 2003, 2002, 2001 and 2000 were taken from audit reports prepared by the County's independent auditors and are presented for informational purposes only. Reference is made to the complete audit reports which are available from the County upon request.

THE COUNTY

General

Santa Fe County (pop. 138,705, estimated 2005) is located in north central New Mexico and occupies a land area of 1,909 square miles. The City of Santa Fe, which is the state capital and a popular tourist community, is located within the County. Also located in the County are a variety of Native American Pueblos, agricultural villages, bedroom communities and ranching communities, spread over terrain that includes river valleys and mountain ranges. Forty percent of the land within the County is comprised of federal land (Native American, National Forest and Bureau of Land Management). The County offers year-round tourism possibilities, with a dry climate, national parks and forests, and historic landmarks as the principal attractions.

The economy of the County is based upon government and related activities, retail trade, tourism, arts and entertainment, and recreation.

Board of County Commissioners

The Board of County Commissioners consists of five individuals elected for four-year terms. The County is divided into five districts, each represented by an elected Commissioner. The function of the County is briefly addressed in the grant of powers provided all New Mexico counties pursuant to Section 4-37-1 NMSA 1978. The function is "... to provide for the safety, preserve the health, promote the prosperity and improve the morals, order, comfort and convenience of the county or its inhabitants..." The Board oversees:

1. the assessment, collection and distribution of ad valorem taxes by an elected Assessor and Treasurer;
2. law enforcement by an elected Sheriff;
3. recording and filing by an elected County Clerk;
4. fire protection by Volunteer Fire Departments;
5. road maintenance by an appointed Road Manager;
6. managerial and administrative services by an appointed County Manager; and
7. planning, health, welfare, recreation and cultural affairs by appointed citizen advisory boards.

The members of the Board of County Commissioners and their respective terms are as follows:

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
Mike D. Anaya	Chairman	12/31/06
Harry Montoya	Commissioner	12/31/06
Paul Campos	Commissioner	12/31/08
Jack Sullivan	Commissioner	12/31/08
Virginia Vigil	Commissioner	12/31/08

The current members of the County Administration are as follows:

- Gerald T.E. Gonzalez, County Manager since February, 2003. Mr. Gonzalez has also served in the following positions: Assistant Santa Fe County Attorney, 2002-2003; Legal Counsel to the Speaker of the New Mexico House of Representatives, 2001; Chief of Staff to Congressman Tom Udall, 1998-2000; Director of the Civil Division of the Office of the Attorney General of New Mexico, 1995-1998; Town Attorney, Taos New Mexico, 1994-1995; City Attorney, City of Santa Fe, New Mexico, 1992-1994. Mr. Gonzalez obtained a Juris Doctor degree from Harvard Law School in 1976, and served in the United States Air Force from 1963 to 1973.
- Victor Montoya, County Treasurer since January 1, 2005. Currently Vice Chairman of the New Mexico Public Employees' Retirement Association. Deputy County Treasurer, Santa Fe County, 2004. Mr. Montoya has been in public service for 25 years in various positions with the Office of the State Auditor, the Office of the Attorney General, the Energy, Minerals and Natural Resources Department, the State Land Office and the Public Employees Retirement Association. Mr. Montoya graduated from the College of Santa Fe with a Bachelor's Degree in Business Administration.
- Susan Lucero, Finance Director since 2003. Served as Deputy County Finance Director for Santa Fe County, 1999-2003; Accounting Supervisor for Santa Fe County, 1997-1999; Enterprise Fund Accountant for Santa Fe County, 1996-1997; Finance Manager, Las Cumbres Learning Services, Inc., 1994-1996. Ms. Lucero graduated from the University of New Mexico with a Bachelor's Degree in Business Administration.
- Stephen C. Ross, County Attorney since 2003. Served as Assistant General Counsel for the New Mexico Energy, Minerals and Natural Resources Department, 2000-2003; Deputy County Attorney, San Juan County, New Mexico, 1993-2000. Mr. Ross obtained a Juris Doctor Degree from the University of Utah in 1989.

Retirement

Substantially all full time employees of the County participate in a public employee retirements system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries.

Non-law enforcement plan members are required to contribute 3.2875% of their gross salary. The County is required to contribute 19.0125% of the gross covered salary. The employee's portion for law enforcement participants (excluding detention employees, who are considered general participants) is 3.09%. The County's contribution rate is 27.76%. The contribution requirements of plan members and of the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ended June 30, 2004, 2003 and 2002 was \$3,789,224, \$2,982,751 and \$3,280,798, respectively, equal to the amount of the required contributions for those years.

County Insurance Coverage

The County maintains insurance on its assets and operations as is customary and adequate, in its opinion, for similar entities insuring similar operations and assets. The County carries general liability

insurance, auto damage and workers compensation with the New Mexico County Insurance Authority for its errors and omissions coverage, emergency medical, volunteer fire fighters and law enforcement liability coverage. There can be no assurance, however, that the County will continue to maintain the present level of coverage or that the insurance maintained will be sufficient.

THE ECONOMY

General

Santa Fe County is located in the north-central part of New Mexico in the Rio Grande corridor. The area's economy is based primarily on government and related activities, retail trade, tourism, arts and entertainment, and recreation.

State Government

The State Government is one of the largest employers in the County, employing 9,443. Government offices, including the Office of the Governor and the State Legislature, occupy the State Capital Building, known as the Roundhouse. All major state offices and agencies, including the Office of the Treasurer, Office of the Attorney General, Office of the State Engineer, and the Departments of Finance and Administration, Health, Environment, Transportation, Energy, Minerals and Natural Resources, General Services, Corrections, Public Education and Higher Education are located in the City of Santa Fe.

Education

Santa Fe Public Schools

The Santa Fe Public School District is a political subdivision of the State organized for the purpose of operating and maintaining an education program for school-age children residing within its boundaries. Currently the District operates and maintains a variety of facilities in meeting its obligation to provide an educational program within its boundaries that cover 1,016 square miles with an estimated population of 125,000. The District is the 4th largest school district in the State with a 2004-05 enrollment of 13,692 students. The District operates 27 school sites - 20 elementary schools, 4 middle schools, 2 high schools and 1 alternative school. The District's educational program includes vocational, technical and occupational training.

Santa Fe Community College

Santa Fe Community College is a co-educational community college offering 2-year Associate of Arts, Associate of Science and Associate of Applied Science degrees. The Community College occupies 366 acres within the City of Santa Fe, with a faculty of 372 (full and part-time), serving approximately 14,500 students (full-time and part-time). Approximately 83 percent of the students are part-time. 58 percent of students receive financial aid.

St. John's College

St. John's College is a private, co-educational 4-year liberal arts college. The College's undergraduate program is an all-required course of study based on the classic works of western civilization. The College has an enrollment of approximately 475 students, with a faculty-student ratio of 1:8. The College offers a graduate degree program leading to a Master of Arts in Liberal Arts degree.

College of Santa Fe

The College of Santa Fe is a private, co-educational 4-year liberal arts college, with a faculty of 128, an enrollment of approximately 800 traditional (i.e. full-time) students and 1,000 evening students and a student-faculty ratio of 14:1. The College offers Bachelor of Arts degrees in art, political science, psychology, music, film, education, and humanities, and a master's degrees in education and business administration.

New Mexico School for the Deaf

The New Mexico School for the Deaf is a state institution serving New Mexico children with permanent hearing loss ages 2 through 22. The School provides a rigorous academic program that focuses on language and literacy development and critical thinking skills. The School's curriculum conforms to New Mexico state standards and benchmarks. The School's 30-acre campus is located in the City of Santa Fe and provides housing for up to 96 residential students.

Trade

The County's retail sales were approximately \$1.5 billion in fiscal year 2004. Major products include furniture, jewelry, publishing, technology transfer, clothing and accessories. Approximately 12 percent of the County's population is employed in the retail trade sector.

Tourism

The tourism industry plays a significant role in the County economy due, in part, to the historic City of Santa Fe and its proximity to national parks and monuments, state parks and recreation areas, and numerous museums and cultural facilities.

Indian Arts and Crafts

Indian arts and crafts, both production and marketing, have always played a significant role in the County's economy where large amounts of turquoise and silver jewelry are crafted. Numerous shops and galleries in Santa Fe make the City a center in the Southwest for original Native American art and southwest arts and crafts.

Health

The County is served by St. Vincent Regional Medical Center, a 501(c)(3) organization. The Medical Center serves a 7-county region and is the largest hospital facility north of Albuquerque and south of Pueblo, Colorado. The Medical Center is the only Level III Trauma Center in northern New Mexico. The Center maintains 268 licensed beds, 250 staff physicians representing 22 medical specialties, and treats over 55,000 emergency/first care patients annually, and more than 5,500 outpatient surgery patients annually. A second hospital is planned for the area.

ECONOMIC AND DEMOGRAPHIC STATISTICS

This section contains general information concerning the economic and demographic conditions in and surrounding the County. The information presented was obtained from the sources indicated, and the County makes no representation as to the accuracy or completeness of the data presented. All data in this subsection is presented on a calendar year basis.

Population

The following chart sets forth historical population data for Santa Fe County, the City of Santa Fe and the State.

<u>Year</u>	<u>City of Santa Fe</u>	<u>Santa Fe County</u>	<u>New Mexico</u>
2010*	n/a	158,624	2,112,986
2005*	n/a	143,987	1,970,983
2000	62,203	129,292	1,819,046
1990	57,605	98,928	1,515,069
1980	49,160	75,519	1,303,303
1970	41,167	54,774	1,017,055
1960	33,394	44,970	951,023

Source: U.S. Dept. of Commerce, Bureau of the Census.

* Estimated.

Age Distribution

The following table sets forth the age distribution profile for Santa Fe County, the State and the United States.

	<u>Percentage of Population</u>		
<u>Age</u>	<u>Santa Fe County</u>	<u>New Mexico</u>	<u>United States</u>
0-17	23.2%	26.9%	24.9%
18-24	8.4%	10.2%	9.9%
25-34	12.2%	12.3%	13.6%
35-49	24.1%	21.9%	22.8%
50 & Older	32.1%	28.7%	28.8%

Source: Sales and Marketing Management, August 2004

Income

The following table sets forth annual per capita personal income levels for the County, the State and the United States.

Per Capital Personal Income

<u>Year</u>	<u>Santa Fe County</u>	<u>New Mexico</u>	<u>United States</u>
2004	N/A	\$26,191	\$32,937
2003	\$32,378	24,995	31,472
2002	31,892	24,228	30,804
2001	32,141	24,088	30,575
2000	29,627	22,134	29,847
1999	27,595	21,042	27,939
1998	27,184	20,656	26,883
1997	25,264	19,698	24,334
1996	24,566	19,029	24,175
1995	23,865	18,426	23,076

Source: Bureau of Business and Economic Research.

Employment

The following table provides a ten-year history of employment in the County, the State and the United States.

<u>Year</u>	<u>Santa Fe MSA</u>		<u>State of New Mexico</u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2004	84,069	2.90%	910,502	4.80%	5.70%
2003	79,356	3.00%	878,749	6.10%	5.80%
2002	78,652	2.60%	861,215	5.40%	6.00%
2001	75,758	2.80%	854,818	5.50%	4.70%
2000	76,911	3.00%	839,500	5.80%	4.50%
1999	71,000	2.90%	809,713	5.60%	3.70%
1998	75,777	3.10%	831,052	6.20%	4.30%
1997	74,408	3.50%	814,749	6.20%	4.70%
1996	72,052	5.10%	797,917	8.10%	5.40%
1995	63,033	4.30%	791,034	6.30%	5.60%

Source: New Mexico Department of Labor and Bureau of Business and Economic Research.

Major Employers

Some of the largest employers in the County are set forth below. No independent investigation into their affairs has been made and consequently there can be no representation as to the stability or financial condition of the companies listed hereafter, or the likelihood that such companies will maintain their status as major employers in the area.

<u>Employer</u>	<u>Type</u>	<u>Number of Employees</u>	<u>% of MSA Employment</u>
State of New Mexico	Government	9,443	15.69%
Santa Fe School District	Education	1,850	3.07%
U.S. Government	Government	1,750	2.91%
City of Santa Fe	Government	1,719	2.86%
St. Vincent's Hospital	Health Care	1,450	2.41%
Santa Fe Community College	Education	717	1.19%
Santa Fe Opera	Fine Arts	650	1.08%
Santa Fe County	Government	566	0.94%
College of Santa Fe	Education	564	0.94%
Cities of Gold	Casino	470	0.78%
Total		19,058	31.66%
Total MSA Non-Ag Civilian and Military Employment		60,200	100.00%

Source: Santa Fe Chamber of Commerce, March 2005

Wage and Salary Employment

The New Mexico Dept. of Labor publishes quarterly reports of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

<u>Industry</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Mining	99	142	169
Utilities	132	135	n/a
Construction	4,369	4,244	4,389
Manufacturing	1,165	1,253	1,403
Wholesale Trade	948	985	834
Retail Trade	8,475	8,354	8,342
Transportation & Warehousing	538	559	526
Information	928	891	984
Finance & Insurance	1,737	1,748	1,529
Real Estate & rental & leasing	1,030	997	1,059
Professional & technical services	2,598	2,531	2,589
Management of companies and enterprises	203	205	195
Administrative and waste services	1,955	1,789	1,685
Educational Services	1,386	1,270	1,323
Health Care & social assistance	5,946	5,625	5,151
Arts, Entertainment & recreation	1,033	1,075	1,051
Accommodations & food services	7,782	7,642	7,525
Other services, except public administration	2,324	2,283	2,225
Non-classifiable	56	47	n/a
Total Private Sector	42,873	41,898	41,332
Public Administration	17,326	16,840	16,617
Federal	1,231	1,300	1,358
State	9,883	9,505	9,373
Local	6,212	6,035	5,888
Grand Total	60,200	58,738	57,949

Source: New Mexico Department of Labor

The following two tables reflect median household Effective Buying Income ("EBI") and the percent of households by EBI groups as reported in Sales and Marketing Management's annual surveys of buying power. EBI, a classification developed by Sales and Marketing Management Magazine, is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance.

Median Household Effective Buying Income

<u>Year</u>	<u>Santa Fe County</u>	<u>State</u>	<u>United States</u>
2003	\$39,742	\$32,737	\$38,201
2002	39,400	32,291	38,035
2001	41,152	32,083	38,365
2000	40,573	30,322	39,129
1999	38,876	29,992	37,233
1998	36,781	28,795	35,377
1997	36,127	27,744	34,618
1996	34,804	27,503	33,482
1995	33,285	26,499	32,238
1994	37,400	30,032	37,070

Source: Sales and Marketing Management, August 2004.

The following table shows effective buying income by income group for Santa Fe County, the State of New Mexico and the United States.

Percent of Household by Effective Buying Income Groups

<u>Effective Buying Income Group</u>	<u>Santa Fe County</u>	<u>New Mexico</u>	<u>United States</u>
Under \$20,000	21.1%	27.3%	22.3%
\$20,000 – 34,999	25.3%	26.3%	23.3%
\$35,000 – 49,999	19.4%	19.2%	19.0%
\$50,000 and over	34.2%	27.2%	35.4%

Source: Sales and Marketing Management, August 2004.

Gross Receipts

The following table shows the total reported and total reported retail gross receipts generated in the City of Santa Fe, Santa Fe County and the State of New Mexico for the past ten years. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services in the State of New Mexico, from leasing property employed in the State and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical services.

<u>Year</u>	<u>City of Santa Fe</u>		<u>Santa Fe County</u>		<u>New Mexico</u>	
	<u>Total</u>	<u>Retail</u>	<u>Total</u>	<u>Retail</u>	<u>Total</u>	<u>Retail</u>
2004	\$4,437,368,148	\$1,585,541,233	\$5,585,654,362	\$1,774,969,478	\$70,477,791,653	\$18,414,335,199
2003	4,056,119,487	1,566,459,769	5,029,969,082	1,773,716,030	63,358,239,874	18,700,756,931
2002	3,896,577,800	1,530,008,160	4,895,295,541	1,693,609,017	62,280,612,865	19,094,649,339
2001	3,801,005,106	1,575,339,744	4,795,046,131	1,773,491,569	65,894,850,915	20,743,109,632
2000	3,876,587,424	1,546,297,025	4,852,403,190	1,731,892,982	59,397,663,620	17,648,495,366
1999	3,425,460,388	1,348,801,796	4,230,955,790	1,513,158,345	54,260,304,216	15,759,691,923
1998	2,171,717,426	982,078,459	3,922,233,542	1,408,140,361	55,101,530,145	15,395,163,122
1997	2,090,710,387	1,022,573,169	3,379,641,255	1,449,642,214	54,891,566,867	16,565,088,878
1996	1,846,084,575	905,109,560	3,508,865,021	1,302,686,424	54,273,657,002	15,038,402,705
1995	1,954,163,489	911,310,538	3,333,874,645	1,285,093,578	49,958,617,374	13,606,297,781

Source: State of New Mexico, Taxation & Revenue Department and Bureau of Business and Economic Research.

Services Available to County Residents

The County provides its residents with police and fire protection. Water service and sanitary sewer service are provided in certain unincorporated areas of the County, while other areas are served by private or community water systems. Electricity is supplied and distributed by Public Service Company of New Mexico. Telephone service is provided by Qwest Corporation. The County operates a solid waste collection and disposal system.

TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. Additionally, interest on the Bonds is excluded from net income for purposes of certain State of New Mexico taxes imposed on individuals, estates, trust and corporations.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Bonds. The County has made various representations and warranties with respect to, and has covenanted in the Resolution and other documents, instruments and certificates to comply with certain guidelines designed to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of the issue

of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Original Issue Premium

The Bonds were sold at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

Financial Institution Interest Deduction

The County has not designated the Bonds as qualified tax-exempt obligations for the purposes of Section 265(b)(3)(B) of the Code.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can

be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the County as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The County has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the County, the Underwriter nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

CONTINUING DISCLOSURE INFORMATION

Annual Reports

The County will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement, under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," and "FINANCES OF THE COUNTY." The County will update and provide this information within nine months after the end of each fiscal year ending on or after June 30, 2005. The County will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of New Mexico and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B – "AUDITED FINANCIAL STATEMENTS - June 30, 2004" herein or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of March in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The County will also provide timely notices of certain events to certain information vendors. The County will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described under "CONTINUING DISCLOSURE INFORMATION - Annual Reports" herein. The County will provide

each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The County has agreed to provide the foregoing information only to NRMSIRs (or the MSRB, as appropriate) and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

There has been no SID designated in the State of New Mexico.

Limitations and Amendments

The County has agreed to update information and to provide notices of material events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus in any New Mexico State court to compel the County to comply with its agreement.

The continuing disclosure agreement may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The County may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. While the County has provided audited financial statements on an annual basis pursuant to the continuing disclosure agreements, the County determined that certain information required to be updated under agreements entered into in connection with outstanding general obligation bonds had not been filed for the fiscal years ending June 30, 1999, 2000, 2001, 2002, 2003 and 2004. The County has notified the MSRB of its failure to file the required information and, as of the date of this Official Statement, has provided updated information for the years 2000 through 2004. The County believes that it is now in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with general obligation bonds issued by the County. The County is

investigating its compliance with continuing disclosure agreements entered into in connection with outstanding County revenue bonds, and expects to take such steps as are necessary to correct any noncompliance with respect to those agreements.

UNDERWRITING

The Underwriter will enter into a bond purchase agreement with the County under which it will agree to purchase the Bonds for a purchase price of \$8,604,655.60, which represents the principal amount of the Bonds, less an underwriting discount in the amount of \$50,855.10, plus a net original reoffering premium in the amount of \$165,510.70. The Underwriter will be obligated to take and pay for all of the Bonds if any are taken. The Underwriter may pay the costs of issuance related to the Bonds on behalf of the County.

LITIGATION

At the time of the original delivery of the Bonds, the County will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate County officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, effectiveness of the Resolution, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

RATINGS

The Bonds have received a rating of "Aaa" from Moody's Investors Service ("Moody's") based on the issuance by MBIA Insurance Corporation of its municipal bond insurance policy. In addition, Moody's has assigned underlying (i.e., without regard to a municipal bond insurance policy) long-term ratings of "Aa2" to the Bonds. An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007.

Such ratings reflect only the view of the Moody's, and there is no assurance that such rating will continue for any given period of time after obtained or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the County nor the Underwriters have undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

LEGAL MATTERS

The legality of the Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, whose unqualified opinion approving the legality of the Bonds will be furnished at the closing. Scheuer, Yost & Patterson PC, Santa Fe, New Mexico, and McCall Parkhurst & Horton L.L.P., Austin, Texas, will pass on certain matters for the Underwriter.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the government securities and other funds to be deposited in the Escrow Fund, to provide for the payment of, the principal of, premium and interest on the Refunded Series 1997 Bonds when due or upon early redemption thereof as described under the caption "PURPOSE AND PLAN OF

FINANCING" herein, and (ii) the computations made supporting the conclusion that the yield on the Bonds for federal income tax purposes will be verified by Causey, Demgen & Moore, Certified Public Accountants, Denver, Colorado. Such verification will be based, in part, upon information supplied to the certified public accountant by the Underwriter.

TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under "LITIGATION") will be delivered by the County when the Bonds are delivered. The County will at that time also provide a certificate relating to the accuracy and completeness of this Official Statement.

ADDITIONAL INFORMATION

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the County located at the County Administration Building, 102 Grant Avenue, Santa Fe, New Mexico 87504-0276 or at the offices of RBC Dain Rauscher Inc., 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix C for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE". Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against

loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of \$10.6 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or

Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

There can be no assurances that payments made by the Insurer representing interest on the Bonds will be excluded from gross income, for federal tax purposes, in the event of nonappropriation by the County.

OFFICIAL STATEMENT CERTIFICATION

As of the date hereof this Official Statement is true to the best of my knowledge, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution have been authorized by the Board. The Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

SANTA FE COUNTY, NEW MEXICO

By: /s/ Mike D. Anaya
Chairman, Board of County Commissioners

APPENDIX A

OPINION OF BOND COUNSEL

August ____, 2005

Board of County Commissioners
Santa Fe County, New Mexico

We have acted as bond counsel to Santa Fe County, New Mexico (the "County") in connection with the issuance of its \$8,490,000 General Obligation Refunding Bonds (the "Bonds") dated August ____, 2005, with interest payable on January 1, 2006, and semi-annually thereafter on each July 1 and January 1 until maturity, and being bonds in registered form maturing on July 1 in the years 2006 through 2016, inclusive. The Bonds are being issued by the County for the purpose of refunding the County's General Obligation Bonds, Series 1997 maturing on and after July 1, 2007.

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights:

1. The Bonds constitute valid and binding general obligations of the County, and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of ad valorem taxes on all property within the County subject to ad valorem taxes levied by the County, which levy is unlimited as to rate or amount.

2. Assuming continuing compliance by the County with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and with the covenants contained in the Transcript regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Failure of the County to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is included as an adjustment in calculating corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

Respectfully,

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APPENDIX B

AUDITED FINANCIAL STATEMENTS – JUNE 30, 2004

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**STATE OF NEW MEXICO
SANTA FE COUNTY**

**FINANCIAL STATEMENTS
JUNE 30, 2004**

**STATE OF NEW MEXICO
SANTA FE COUNTY**

**Official Roster
June 30, 2004**

COUNTY COMMISSIONERS

Paul Campos	Chairperson
Harry B. Montoya	Member
Jack Sullivan	Member
Paul Duran	Member
Mike D. Anaya	Member

COUNTY OFFICIALS

Greg Solano	County Sheriff
Phillip Trujillo	County Treasurer
Rebecca Bustamante	County Clerk
Benito Martinez, Jr.	County Assessor
Ann Yalman	Probate Judge

ADMINISTRATIVE OFFICIAL

Gerald T.E. González	County Manager
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SANTA FE COUNTY
Management's Discussion and Analysis
June 30, 2004

As management of Santa Fe County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004.

PROFILE OF THE COUNTY

Santa Fe County was established by the laws of the Territory of New Mexico of 1852, under provisions of the act now referred to as Section 4-26-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (police, fire and corrections), highways and streets, sanitation, health and social services, low rent housing assistance, affordable housing, culture-recreations, public improvements, planning and zoning, and general administration services. Housing services, Utility and Jail enterprises are included in the County's financial statements as they are departments of the County. All legislative power within the County is vested in a five-member Board of Commissioners, each of whom are elected for four-year terms. The executive function is divided and shared by the Board and five elected county officials - the Treasurer, Assessor, Surveyor, Clerk and Sheriff.

The County maintains budgetary controls to ensure compliance with legal provisions required in the annual appropriated budget approved by the Board. The County's legal level of budgetary control is at the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the following funds, whose legal level of budgetary authority is at the program or district level: 1) Emergency Medical Services, and 2) Fire Districts. Appropriations within a fund may be adjusted with the approval of the Board and the New Mexico State Department of Finance and Administration (DFA). The Local Government Division of DFA is responsible for regulating the budgetary affairs of the County. Budget adjustments that do not require DFA approval are limited to transfers within organizational unit (between expenditure categories) or transfers between organizational units (same department and same fund).

Summary of County Program Highlights and Challenges

During the current fiscal year, the County accomplished the following goals and achievements.

- The organizational structure of Santa Fe County for Fiscal Year 2004 changed to include two new departments: the Housing department and the Health and Human Services department, which were formed by splitting the prior Community Health Development department. The Health and Human Services department is in the planning stages of developing and implementing programs to prevent or reduce the incidence of DWI, alcoholism and alcohol abuses in Santa Fe County.

**Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2004**

- Santa Fe County successfully assumed control over the operation of the Youth Development Facility in February 2004. When the county assumed direct operations, there was an increase of 62 new positions associated with the Youth Development Facility. The assumption of the facility included the Electronic Monitoring Program, an alternative to incarceration program for adult and youth offenders. By taking on the operation of the Youth Development Facility and the Electronic Monitoring Program, the Corrections department was formed. This department includes operations for the Adult Detention Facility which was previously administered through the County Manager's Office.
- The Adult Detention Facility achieved American Correctional Association accreditation. The facility passed 41 mandatory standards and 378 out of 389 nonmandatory standards.
- During Fiscal Year 2004, Santa Fe County successfully opened the Spur Trail. The Spur Trail, a hiking, biking and horse-riding trail, is part of a growing number of suburban trails which the County is developing. The Spur Trail is the first to be constructed entirely by the County's own labor force.
- The Housing Authority successfully sold three (3) affordable housing units, both renovated and new construction, located in the Valle Vista and Santa Cruz subdivisions.

During the current fiscal year, the County dealt with the following challenges.

- The Treasurer's Office experienced a series of misfortunes, which included a courier scam, embezzlement of funds and a burglary. The county contracted with an independent auditor for review of all county cash receipting procedures, including remote offices. The county is currently working towards proper controls over the receipt function across all departments and locations. As the county continues to grow, this will continue to be a challenge for both the Finance department and the Treasurer's office to ensure that remote facility operations guarantee proper controls over the receipt function and that ongoing internal audit functions are conducted.
- The County continues to work with the independent contractor for jail operations. Over the course of the fiscal year, the County and the contractor made many improvements to the facility. However, the county is still striving to improve the jail with ongoing security and medical issues largely attributable to a settlement agreement with the US Department of Justice. Satisfying the remaining issues, may result in a return of federal inmates, which would decrease the county's costs of running the jail.
- The County and the City continue to negotiate on water issues. A city-county agreement, under which the City sells the county acre-feet of water annually, expires in December 2005. Officials from both entities have been trying to negotiate a new deal, on how much water should be allocated in a new contract and how to divide Santa Fe's San Juan-Chama River water allocation. A possible solution is to request voter approval for a water bond measure.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. All of the funds of the County can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental funds. All governmental fund types are accounted for on a spending flow measurement focus.

Proprietary funds. The County maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as Business-type activities in the government-wide financial statements. The County uses enterprise funds to account for Water, Housing Authority, Regional Planning Authority and the Jail.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The County as a Whole

As of June 30, 2004 and 2003, net assets are as follows:

	2004			2003		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and Other Assets	\$ 79,847,973	\$ 13,347,786	\$ 93,195,759	\$ 76,949,529	\$ 12,462,326	\$ 89,411,855
Capital and Non-Current Assets	41,781,657	36,169,487	77,951,144	46,304,708	38,263,347	84,568,055
Total Assets	<u>121,629,630</u>	<u>49,517,273</u>	<u>171,146,903</u>	<u>123,254,237</u>	<u>50,725,673</u>	<u>173,979,910</u>
LIABILITIES						
Current Liabilities	8,496,022	3,306,013	11,802,035	18,030,238	6,110,542	24,140,780
Long-Term Liabilities	46,842,339	37,846,644	84,688,983	47,526,888	38,781,264	86,308,152
Total Liabilities	<u>55,338,361</u>	<u>41,152,657</u>	<u>96,491,018</u>	<u>65,557,126</u>	<u>44,891,806</u>	<u>110,448,932</u>
NET ASSETS						
Invested in capital assets	(6,206,711)	(2,555,851)	(8,762,562)	(4,015,297)	(3,152,050)	(7,167,347)
Restricted	32,005,804	2,449,600	34,455,404	41,625,309	4,376,128	46,001,437
Unrestricted (deficit)	40,492,176	8,470,867	48,963,043	20,087,099	4,609,789	24,696,888
Total net assets	<u>\$ 66,291,269</u>	<u>\$ 8,364,616</u>	<u>\$ 74,655,885</u>	<u>\$ 57,697,111</u>	<u>\$ 5,833,867</u>	<u>\$ 63,530,978</u>

The County's major governmental funds are the General Fund, EMS and Health Care Fund and the Capital Outlay – GRT fund. The Open Spaces Bond Proceeds Fund was a major fund in 2003 but did not meet the major fund criteria in 2004. The governmental funds had an excess of revenues and other financing sources over expenditures and other financing uses of \$11,708,044, approximately a \$2.5 million increase over 2003. Total governmental revenues increased approximately \$8 million. The Capital Outlay GRT Fund tax revenue grew by over \$4.6 million as there was 12 months of revenue in 2004 compared to partial year of the tax revenue in 2003.

Government-wide financial analysis.

The County change in net assets for the year ended June 30, 2004 was \$15,053,455 compared to \$14,488,399 for the year ended June 30, 2003. See pages 6 and 8 for more detail on the differences between the government wide financial statements and the governmental fund financial statements.

**Management's Discussion & Analysis
For Fiscal Year Ended June 30, 2004**

**Changes in the County's Net Assets
Year Ended June 30, 2004 and 2003**

	2004			2003		
	Changes in Net assets			Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 6,804,330	\$ 7,477,466	\$ 14,281,796	\$ 5,626,516	\$ 7,983,578	\$ 13,610,094
Operating grants and contributions	8,907,702	805,919	9,713,621	6,129,111	1,647,218	7,776,329
Capital grants and contributions	1,392,353	363,219	1,755,572	4,533,345	-	4,533,345
General revenues						
Property taxes	30,983,137	-	30,983,137	26,454,452	-	26,454,452
Gross receipt taxes	24,525,628	-	24,525,628	22,254,763	-	22,254,763
Other taxes	2,331,286	-	2,331,286	1,530,537	-	1,530,537
Investment income	1,095,262	242,511	1,337,773	1,730,532	151,564	1,882,096
Other	589,244	53,565	642,809	1,047,657	-	1,047,657
Total revenues	76,628,942	8,942,680	85,571,622	69,306,913	9,782,360	79,089,273
Expenses						
General government	16,246,160	-	16,246,160	19,142,561	-	19,142,561
Public safety	10,681,361	-	10,681,361	15,576,942	-	15,576,942
Highways and streets	12,179,321	-	12,179,321	4,653,478	-	4,653,478
Health and welfare	12,195,021	-	12,195,021	8,162,633	-	8,162,633
Culture and recreation	618,323	-	618,323	439,464	-	439,464
Economic development	-	-	-	286,446	-	286,446
Interest on long-term debt	2,642,104	-	2,642,104	2,247,418	-	2,247,418
Housing Services	-	1,800,328	1,800,328	-	1,538,660	1,538,660
Utilities Department	-	1,232,803	1,232,803	-	693,150	693,150
Jail Facility	-	12,399,990	12,399,990	-	11,651,348	11,651,348
Regional Planning Authority	-	182,606	182,606	-	208,774	208,774
Total expenses	54,562,290	15,615,727	70,178,017	50,508,942	14,091,932	64,600,874
Increase (decrease) in net assets before transfers	22,066,652	(6,673,047)	15,393,605	18,797,971	(4,309,572)	14,488,399
Transfers	(8,554,124)	8,554,124	-	(3,744,516)	3,744,526	-
Change in net assets	\$ 13,512,528	\$ 1,881,077	\$ 15,393,605	\$ 15,053,455	\$ (565,046)	\$ 14,488,399

Budgetary Highlights

The Santa Fe County Fiscal Year 2004 Budget, totals \$92,896,519, or \$81,433,820 without counting transfers between funds. The total budget includes general operating funds which are associated with the daily operation of County government, special revenue funds which are those funds legally restricted to specific uses such as road maintenance, lodgers tax, indigent health care, capital improvement funds for improvements to county facilities and county infrastructure, debt service funds which pay for principal and interest on outstanding bonds and enterprise funds where user fees primarily generate the fund revenues.

The General Fund original operating budget for Fiscal Year 2004 expenditures totals \$37.7 million, up from \$36.5 million budgeted in Fiscal Year 2003. The major source of increase to General Fund revenues was \$1.4 million in property taxes. This increase is mitigated by a decrease in interest revenues caused by declining rates. General Fund uses continue to be under pressure from operating costs at the County Detention Center which have increased during the past three years. Since Fiscal Year 2001, the budget need for General Funds transfers to the County Jail Enterprise Fund have increased from \$3.8 million to \$6.7 million in Fiscal Year 2004. The need for this funding, is caused by State demands for increased services at the Detention Facility for inmates from these jurisdictions, as well as an increase in inmates maintained solely by the County. This all has a corresponding impact in regard to preventing the growth of other General Fund services or the institution of new programs.

The Special Revenue Funds budget for Fiscal Year 2004 totals \$29.6 million, which is up somewhat from the \$24.5 million, budgeted in the prior fiscal year. This increase is principally due to the first full year revenue collection of County Capital Outlay gross receipts tax.

Capital Project Funds are budgeted in Fiscal Year 2004 at \$4.7 million compared to \$10.3 million in Fiscal Year 2003. The difference can be attributed primarily to the expenditure of \$8 million in Open Space Bond proceeds in the prior fiscal year. Road and facility projects that would be budgeted in these funds await notice of final state appropriations before they can be budgeted.

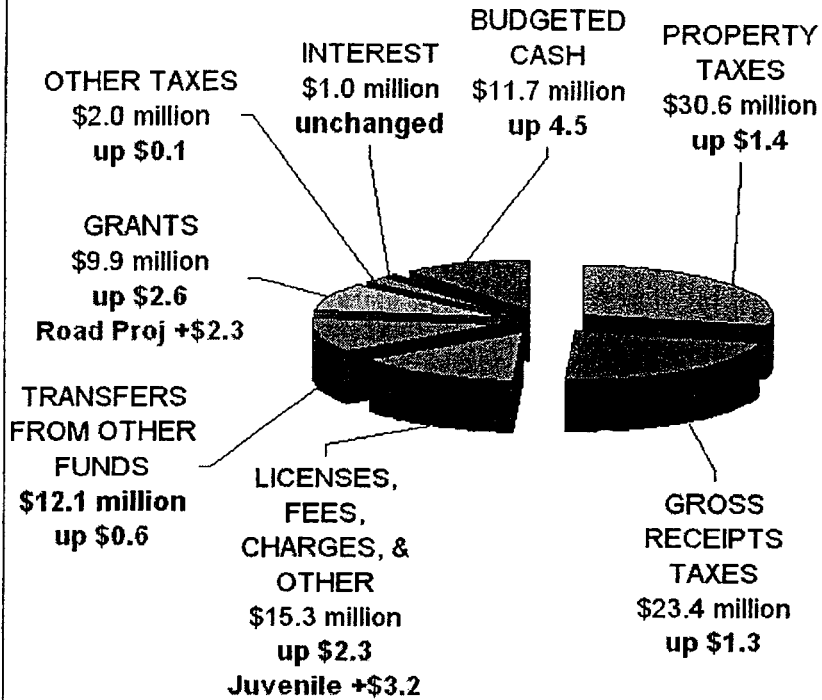
Debt Service Funds are budgeted at \$5.5 million in Fiscal Year 2004, compared to \$5.3 million in the prior fiscal year mainly due to increased payment requirements for general obligation bonds. A 1993 General Obligation bond was refunded in this budget at lower interest rates by means of a new \$2.3 million bond which will save the taxpayers about \$50,000 each year until maturity in 2008. A \$2.2 million Fire Protection bond, which represents a debt serviced by transfers from the ¼ cent Fire excise gross receipts tax was retired in FY 2004.

Enterprise Fund original budgets total \$15.3 million in Fiscal Year 2004, up from \$13.6 million in Fiscal Year 2003. Nearly all of this increase is due to the increased costs of operating the County Detention Facility.

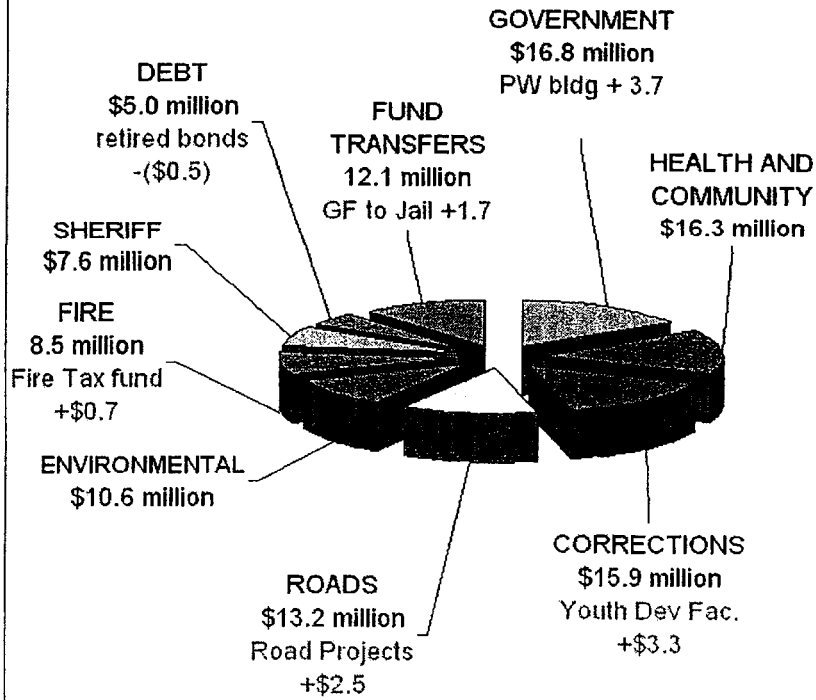
SANTA FE COUNTY FY 2005 BUDGET

\$105,987,103 up \$13.1 million

ALL FUND SOURCES



ALL FUND USES



Credit Ratings

Standard and Poor's performed an underlying rating review as of January 2004 of the 1997 Santa Fe County Gross Receipts Tax Revenue Bonds and affirmed an "A" rating with a stable outlook.

Capital Assets and Debt Administration

Capital Assets

Capital assets include land, buildings and improvements, water systems, transfer stations, roads and infrastructure, vehicle/heavy equipment, machinery and equipment, furniture and fixtures, lease purchases and construction in progress. Major capital asset events during the current fiscal year included the following:

- Purchase of a network appliance file server for \$198,900, which increased the county's storage capacity.
- Purchase of equipment for public safety (vehicles and fire trucks) totaling \$1,324,000.
- Capital costs attributed to the County Adult Detention Facility totaled \$41,300 for repair to a block wall, fencing and installation of metal doors.
- Capital costs attributed to the public works complex of \$55,500.
- Initial capital costs of \$40,000 for the long-range facility needs and assessment plan.
- Purchase of equipment and vehicles for the Public Works Project Development and Solid Waste divisions totaling \$555,800.

See Footnote 5 to the financial statements for more information regarding capital assets.

Debt Administration

Santa Fe County maximum legal debt capacity for General Obligation indebtedness as of June 30, 2004, was \$162,129,728 of which \$40,763,998 is outstanding at June 30, 2004. There is also a \$5,350,000 bond issued secured by gross receipt tax revenue. There is an available bonding capacity of \$121,365,730 in excess of present debt requirements. During the fiscal year, the County did not issue additional bonds. See Footnote 6 to the financial statements for more information on all of the County's long-term obligations.

Economic Factors and Next Year's Budget and Rates

The Santa Fe County Fiscal Year 2005 Budget, totals \$105,987,103, or \$93,891,853 without transfers between funds. The total budget includes general operating funds, which are associated with the daily operation of County government, special revenue funds, lodgers' tax, indigent health care, capital improvement funds, debt service funds and enterprise funds.

The General Fund operating budget for Fiscal Year 2005 expenditures totals \$40.4 million, up \$2.7 million from \$37.7 million budgeted in Fiscal Year 2004. The major sources of increases in General Fund revenues are \$1.3 million in property taxes, \$0.3 million in gross receipt taxes, a \$0.2 million increase in fees, charges and other revenue, a \$0.5 million increase in state and federal grants, and \$0.4 million increase in budgeted cash, primarily due to actual revenue exceeding budget in Fiscal Year 2004.

The Special Revenue Funds budget for Fiscal Year 2005 totals \$32.0 million, which is up somewhat from the \$29.6 million, budgeted in the prior fiscal year. This increase is principally due to increases in gross receipts tax revenues, and an increase in the use of budgeted cash, principally in the Road Fund.

Capital Project Funds are budgeted in Fiscal Year 2005 at \$10.0 million compared to \$4.7 million in Fiscal Year 2004. The difference can be attributed primarily to the inclusion of \$3.5 million in State special appropriation projects, and \$3.5 million for a Public Works facility. These two projects were amendments to the budget during Fiscal Year 2004.

Debt Service Funds are budgeted at \$4.9 million in Fiscal Year 2005, compared to \$5.5 million in the prior fiscal year, mainly due to the retirement of Fire Tax bonds, and an early retirement of Environmental GRT bonds. The result is a savings to the county of over \$100,000 in interest payments.

Enterprise Funds budgets (water utilities, housing, and the county jail) total \$18.5 million in Fiscal Year 2005, up from \$15.3 million in Fiscal Year 2004. Nearly all of this increase is due to the increased costs of operating the Adult Detention Facility, and the assumption of the operation of the Youth Development (Juvenile) Facility.

Financial Contact

The County's financial statements are designed to present users with the general overview of the County's finances and to demonstrate the County's accountability. If you have questions about the report or need additional information, contact the County's Finance Director at 102 Grant Ave, PO Box 276, Santa Fe, New Mexico 87502 or visit our website at <http://www.santafecounty.nm.us>.

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Barracough & Associates, P.C.
Certified Public Accountants & Consultants

1422 Paseo de Peralta
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barracough.com

Principals
John E. Barracough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A., C.V.A.

Managers
Douglas W. Fraser, C.P.A.
Maryann Maberry, C.P.A.
Rick W. Reynolds, C.P.A.
Ben R. Smiley, C.P.A.
Rhonda G. Williams, C.P.A.
* * *

Patricia A. Baca, C.P.A. Ret.
Donald Daymon, C.P.A. Ret.

INDEPENDENT AUDITORS' REPORT

Mr. Domingo P. Martinez, CGFM State Auditor
and
County Commissioners of the
State of New Mexico, Santa Fe County:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Fe County, New Mexico (County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non major governmental and fiduciary funds and budgetary comparisons for the proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

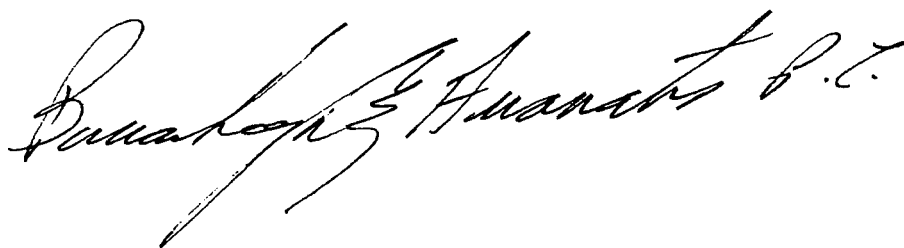
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2004, and the respective changes in financial position, cash flows where applicable and the budgetary comparison for each governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and the budgetary comparison of each non major governmental funds, the fiduciary funds and the budgetary comparisons for the proprietary funds of the County, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basis financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as is required by the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organization*, and are not a required part of the basic financial statements. Also, the schedules listed as other supplementary information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

October 18, 2004

A handwritten signature in black ink, appearing to read "Barracough & Associates P.C.", written in a cursive style.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 1

Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash investments - Unrestricted	\$ 16,618,483	\$ -	\$ 16,618,483
Equity in pooled cash investments - Restricted	47,823,554	10,510,904	58,334,458
Receivables, net of allowance for uncollectible			
Accounts	44,090	1,747,330	1,791,420
Taxes	8,306,676	-	8,306,676
Interest	118,611	94,831	213,442
Grantor agencies and other	5,257,153	-	5,257,153
Notes and mortgage receivables, net	-	543,621	543,621
Interfund balances	359,535	-	359,535
Assets held for sale	1,319,871	451,100	1,770,971
Capital assets (net of accumulated depreciation)	41,781,657	33,865,407	75,647,064
Deferred costs, net	-	413,491	413,491
Water rights	-	1,890,589	1,890,589
	<u>\$ 121,629,630</u>	<u>\$ 49,517,273</u>	<u>\$ 171,146,903</u>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 2,312,516	\$ 1,724,688	\$ 4,037,204
Accrued interest	954,013	650,852	1,604,865
Interfund balances	-	89,411	89,411
Deferred revenue	400,550	271,845	672,395
Due to HUD	90,485	-	90,485
Deposits held for others	181,421	104,014	285,435
Noncurrent liabilities:			
Due within one year	4,557,037	465,203	5,022,240
Due in more than one year	46,842,339	37,846,644	84,688,983
Total liabilities	<u>55,338,361</u>	<u>41,152,657</u>	<u>96,491,018</u>
NET ASSETS			
Invested in capital assets, net of related debt	(6,206,711)	(2,555,851)	(8,762,562)
Restricted for:			
Debt service	5,238,210	2,449,600	7,687,810
Capital projects	26,767,594	-	26,767,594
Unrestricted	40,492,176	8,470,867	48,963,043
Total net assets	<u>\$ 66,291,269</u>	<u>\$ 8,364,616</u>	<u>\$ 74,655,885</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Statements of Activities

Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ (16,246,160)	\$ 6,804,330	\$ 470,054	\$ (8,971,776)	\$ -	\$ (8,971,776)
Public safety	(10,681,361)	-	3,934,134	(6,747,227)	-	(6,747,227)
Highways and streets	(12,179,321)	-	922,299	(11,257,022)	-	(11,257,022)
Health and welfare	(12,195,021)	-	4,973,568	(7,221,453)	-	(7,221,453)
Culture and recreation	(618,323)	-	-	(618,323)	-	(618,323)
Interest expense	(2,642,104)	-	-	(2,642,104)	-	(2,642,104)
Total governmental activities	<u>\$ (54,562,290)</u>	<u>8,907,702</u>	<u>1,392,353</u>	<u>(37,457,905)</u>	<u>-</u>	<u>(37,457,905)</u>
Business -type activities:						
Housing services	(1,800,328)	327,498	760,554	-	(478,472)	(478,472)
Utilities department	(1,232,803)	1,341,187	129,415	-	237,799	237,799
Jail facilities	(12,399,990)	5,721,937	45,365	-	(6,632,688)	(6,632,688)
Regional planning authority	(182,606)	86,844	-	-	(95,762)	(95,762)
Total business-type activities	<u>(15,615,727)</u>	<u>7,477,466</u>	<u>363,219</u>	<u>-</u>	<u>(6,969,123)</u>	<u>(6,969,123)</u>
Total primary government	<u>\$ (70,178,017)</u>	<u>\$ 14,281,796</u>	<u>\$ 9,713,621</u>	<u>\$ (37,457,905)</u>	<u>(6,969,123)</u>	<u>(44,427,028)</u>
General Revenues						
Property taxes				30,983,137	-	30,983,137
Gross receipt taxes				24,525,628	-	24,525,628
Other taxes				2,331,286	-	2,331,286
Investment income				1,095,262	242,511	1,337,773
Other				589,244	53,565	642,809
Total general revenues				<u>59,524,557</u>	<u>296,076</u>	<u>59,820,633</u>
Changes in net assets before transfers				<u>22,066,652</u>	<u>(6,673,047)</u>	<u>15,393,605</u>
Transfers				<u>(8,554,124)</u>	<u>8,554,124</u>	<u>-</u>
Change in net assets				<u>13,512,528</u>	<u>1,881,077</u>	<u>15,393,605</u>
Net assets - beginning				<u>57,697,111</u>	<u>5,833,867</u>	<u>63,530,978</u>
Prior period corrections				<u>(4,918,370)</u>	<u>649,672</u>	<u>(4,268,698)</u>
Net assets - beginning as adjusted				<u>52,778,741</u>	<u>6,483,539</u>	<u>59,262,280</u>
Net assets - ending				<u>\$ 66,291,269</u>	<u>\$ 8,364,616</u>	<u>\$ 74,655,885</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 3

Combining Balance Sheet
Government Funds

Year Ended June 30, 2004

	Major Funds			Non-Major Other Funds	Total
	General	EMS and Health Care	Capital Outlay GRT		
ASSETS					
Equity in pooled cash and investments - Unrestricted	\$16,618,483	\$ -	\$ -	\$ -	\$ 16,618,483
Equity in pooled cash and investments - Restricted	1,815,290	2,496,643	9,595,293	33,916,328	47,823,554
Receivables, net of allowance for uncollectible					
Accounts	44,090	-	-	-	44,090
Taxes	4,093,888	775,771	1,513,639	1,923,378	8,306,676
Interest	86,805	-	-	31,806	118,611
Grantor agencies and other	977,454	232,532	-	4,047,167	5,257,153
Due from other funds	2,144,421	-	-	5,719	2,150,140
Total assets	\$25,780,431	\$ 3,504,946	\$ 11,108,932	\$39,924,398	\$ 80,318,707
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenditures	\$ 1,664,756	\$ 232,070	\$ 5,473	\$ 410,217	\$ 2,312,516
Due to other funds	-	-	-	1,790,605	1,790,605
Deferred revenue	3,088,559	-	-	388,658	3,477,217
Due to HUD	-	-	-	90,485	90,485
Deposits held for others	50,121	-	-	131,300	181,421
Total liabilities	4,803,436	232,070	5,473	2,811,265	7,852,244
Fund Balance					
Reserved for					
Encumbrances	1,533,395	370,048	48,535	2,767,716	4,719,694
Debt service	-	-	-	5,238,210	5,238,210
Total reserved fund balance	1,533,395	370,048	48,535	8,005,926	9,957,904
Unreserved - Designated for					
Subsequent year expenditures by grant or law	-	2,902,828	-	12,216,773	15,119,601
Contingency	1,815,290	-	-	-	1,815,290
Capital improvements	-	-	11,054,924	14,804,854	25,859,778
Unreserved - Undesignated	17,628,310	-	-	2,085,580	19,713,890
Total unreserved fund balance	19,443,600	2,902,828	11,054,924	29,107,207	62,508,559
Total fund balance	20,976,995	3,272,876	11,103,459	37,113,133	72,466,463
Total liabilities and fund balance	\$25,780,431	\$ 3,504,946	\$ 11,108,932	\$39,924,398	\$ 80,318,707

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 4

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets

Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance Governmental Funds	\$ 72,466,463
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	41,781,657
Long-term liabilities, including bonds payable, and therefore are not reported in the governmental funds	(51,399,376)
Reductions of deferred revenue for property tax revenue recorded on full accrual basis. Governmental funds recognize tax revenue on the modified accrual basis	3,076,667
Accrual of interest on long-term obligations not recorded by the governmental funds until paid	(954,013)
Assets held for sale not recorded in the governmental funds	<u>1,319,871</u>
Net assets governmental activities	<u><u>\$ 66,291,269</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 5

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	Major Funds			Non-Major Other Funds	Total
	General	EMS and Health Care	Capital Outlay GRT		
Revenues:					
Grants	\$ 3,934,134	\$ 185,041	\$ -	\$ 6,180,880	\$10,300,055
Taxes and special assessments	30,865,339	4,204,794	8,248,286	14,284,210	57,602,629
Interest earnings	729,306	-	-	365,956	1,095,262
Charges for services, fines and penalties	1,869,938	2,954,917	-	1,979,475	6,804,330
Other	154,522	69,437	-	365,285	589,244
Total revenues	37,553,239	7,414,189	8,248,286	23,175,806	76,391,520
Expenditures:					
Current					
General government services	11,541,007	-	-	1,355,398	12,896,405
Public safety	5,707,233	-	-	2,633,828	8,341,061
Highways and streets	3,778,284	-	-	6,861,640	10,639,924
Health and welfare	1,711,716	7,352,397	-	2,225,999	11,290,112
Culture and recreation	509,421	-	-	50,952	560,373
Economic development	-	-	-	-	-
Capital outlay	3,978,924	-	138,258	2,392,805	6,509,987
Debt service (principal and interest)	-	-	-	5,891,490	5,891,490
Total expenditures	27,226,585	7,352,397	138,258	21,412,112	56,129,352
Excess (Deficiency) or Revenues over Expenditures	10,326,654	61,792	8,110,028	1,763,694	20,262,168
Other Financing Sources (Uses):					
Operating transfers, in	1,295,709	90,949	-	4,313,322	5,699,980
Operating transfers, out	(9,945,566)	(8,588)	(367,956)	(3,931,994)	(14,254,104)
Total other financing sources (uses)	(8,649,857)	82,361	(367,956)	381,328	(8,554,124)
Excess (Deficiency) of Revenues and other Financing Sources Over expenditures and other financing uses	1,676,797	144,153	7,742,072	2,145,022	11,708,044
Fund balance, beginning of year	19,133,595	3,128,723	3,361,387	35,135,124	60,758,829
Prior period corrections	166,603	-	-	(167,013)	(410)
Fund balance, as restated	19,300,198	3,128,723	3,361,387	34,968,111	60,758,419
Fund balance, end of year	\$20,976,995	\$ 3,272,876	\$ 11,103,459	\$37,113,133	\$72,466,463

The accompanying notes are an integral part to this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities

Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of
activities are different because:

Net changes in fund balance total governmental fund	\$ 11,708,044
Current year Capital Outlay expenditures capitalized in the statement of Net Assets	6,509,987
Depreciation expense recorded in the Statement of Activities	(7,429,522)
Debt Service principal payments expensed in the governmental funds, recorded as a reduction of long-term liabilities in the Statement of Net Assets	3,448,599
General fund payments expense for capital lease obligations and post closure costs recorded as a reduction of long-term liabilities	93,765
Increase in post closure cost liability	(500,000)
Increase in compensated absences not recorded until paid by the governmental funds	(356,554)
Net increase in accrued interest expense not recorded until paid by the governmental funds	(199,213)
Net effect of full accrual accounting to record tax revenue in the Statement of Activities which is recorded on a modified accrual basis in the governmental financial statements	237,422
Change in net assets	<u>\$ 13,512,528</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 7

General Fund
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Basis)

Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Grants	\$ 2,733,090	\$ 3,356,295	\$ 3,144,724	\$ (211,571)
Taxes and special assessments	29,957,976	29,957,976	30,615,739	657,763
Interest earnings	-	800,000	795,752	4,248
Charges for services, fines and penalties	1,198,293	1,234,508	1,455,611	221,103
Licenses and permits	293,000	330,358	401,200	70,842
Other	830,000	134,072	99,519	(34,553)
	35,012,359	35,813,209	\$ 36,512,545	\$ 707,832
Cash balance carryforward	1,739,171	4,092,885		
	\$ 36,751,530	\$ 39,906,094		
Expenditures:				
General government services	\$ 16,359,802	\$ 16,194,271	\$ 14,773,665	\$ 1,420,606
Public safety	6,248,182	7,124,450	6,724,829	399,621
Highways and streets	949,469	1,073,266	981,619	91,647
Health and welfare	1,609,134	2,193,606	1,880,008	313,598
Culture and recreation	373,742	595,545	560,124	35,421
Public works	3,100,393	3,959,962	3,802,244	157,718
	\$ 28,640,722	\$ 31,141,100	\$ 28,722,489	\$ 2,418,611
Other financing sources (uses):				
Operating transfers in	\$ 960,093	\$ 1,196,511	\$ 1,295,709	\$ 99,198
Operating transfers out	(9,070,901)	(9,961,505)	(9,945,566)	15,939
Total other financing sources (uses)	\$ (8,110,808)	\$ (8,764,994)	\$ (8,649,857)	\$ 115,137

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 8

EMS and Health Care
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Basis)

Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Grants	\$ 135,667	\$ 174,365	\$ 67,552	\$ (106,813)
Taxes and special assessments	3,895,000	3,895,000	4,172,065	277,065
Interest earnings	-	-	-	-
Charges for services	2,846,148	2,864,148	2,747,330	(116,818)
Other	58,000	189,598	155,816	(33,782)
Total revenues	6,934,815	7,123,111	\$ 7,142,763	\$ 19,652
Cash balance carryforward	644,786	1,313,916		
Total	\$ 7,579,601	\$ 8,437,027		
Expenditures:				
General government services	\$ 1,274,650	\$ 1,998,936	\$ 1,673,412	\$ 325,524
Public safety	2,865,786	3,085,486	2,958,821	126,665
Highways and streets	-	-	-	-
Health and welfare	3,439,165	3,434,966	3,166,455	268,511
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	\$ 7,579,601	\$ 8,519,388	\$ 7,798,688	\$ 720,700
Other financing sources (uses):				
Operating transfers in	\$ -	\$ 90,950	\$ 90,949	\$ (1)
Operating transfers out	-	(8,589)	(8,588)	1
Total other financing sources (uses)	\$ -	\$ 82,361	\$ 82,361	\$ -

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 9

Capital Outlay - GRT
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Basis)

Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Grants	\$ -	\$ -	\$ -	\$ -
Taxes and special assessments	7,790,000	7,790,000	8,180,596	390,596
Interest earnings	-	-	-	-
Charges for services	-	-	-	-
Other	-	-	-	-
Total revenues	7,790,000	7,790,000	<u>\$ 8,180,596</u>	<u>\$ 390,596</u>
Cash balance carryforward	-	1,915,438		
Total	<u>\$ 7,790,000</u>	<u>\$ 9,705,438</u>		
Expenditures:				
General government services	\$ 7,790,000	\$ 9,337,482	\$ 186,792	\$ 9,150,690
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Total expenditures	<u>\$ 7,790,000</u>	<u>\$ 9,337,482</u>	<u>\$ 186,792</u>	<u>\$ 9,150,690</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ -	\$ -
Operating transfers out	-	(367,956)	(367,956)	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (367,956)</u>	<u>\$ (367,956)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 10

Combining Statement of Net Assets
Enterprise Funds

Year Ended June 30, 2004

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Total
ASSETS					
Current Assets					
Cash and investments- restricted	\$ 1,964,551	\$ 2,355,198	\$ 6,191,155	\$ -	\$ 10,510,904
Accrued interest	-	29,564	65,267	-	94,831
Accounts receivable, net	29,639	192,388	1,361,615	163,688	1,747,330
Interfund balances	-	-	-	-	-
Notes and mortgage receivable, net	271,845	271,776	-	-	543,621
Assets held for sale	451,100	-	-	-	451,100
Total current assets	<u>2,717,135</u>	<u>2,848,926</u>	<u>7,618,037</u>	<u>163,688</u>	<u>13,347,786</u>
Fixed assets - building, land, equipment jail facility and water system					
	7,673,776	7,216,130	27,970,543	13,466	42,873,915
Accumulated depreciation	<u>(3,324,766)</u>	<u>(1,105,437)</u>	<u>(4,573,975)</u>	<u>(4,330)</u>	<u>(9,008,508)</u>
Total fixed assets, net of depreciation	4,349,010	6,110,693	23,396,568	9,136	33,865,407
Deferred costs, net	-	-	413,491	-	413,491
Water rights	-	1,890,589	-	-	1,890,589
Total assets	<u>\$ 7,066,145</u>	<u>\$ 10,850,208</u>	<u>\$ 31,428,096</u>	<u>\$ 172,824</u>	<u>\$ 49,517,273</u>
LIABILITIES AND FUND EQUITY					
Current Liabilities					
Accounts payable and compensated absences	\$ 55,168	\$ 31,934	\$ 1,629,280	\$ 8,306	\$ 1,724,688
Accrued interest	-	-	650,852	-	650,852
Interfund balances	-	-	-	89,411	89,411
Deposits held for others	50,664	6,036	47,314	-	104,014
Current portion of notes and bonds payable	100,203	-	365,000	-	465,203
Deferred revenue	271,845	-	-	-	271,845
Total current liabilities	<u>477,880</u>	<u>37,970</u>	<u>2,692,446</u>	<u>97,717</u>	<u>3,306,013</u>
Noncurrent Liabilities					
Notes and bonds payable	5,167,826	-	27,745,000	-	32,912,826
Interest payable	4,933,818	-	-	-	4,933,818
Total noncurrent liabilities	<u>10,101,644</u>	<u>-</u>	<u>27,745,000</u>	<u>-</u>	<u>37,846,644</u>
Total liabilities	<u>10,579,524</u>	<u>37,970</u>	<u>30,437,446</u>	<u>97,717</u>	<u>41,152,657</u>
Net assets					
Invested in capital assets and water rights, net of related debt	(5,852,837)	8,001,282	(4,713,432)	9,136	(2,555,851)
Restricted for Debt service	-	-	2,449,600	-	2,449,600
Unrestricted	2,339,458	2,810,956	3,254,482	65,971	8,470,867
Total net assets	<u>(3,513,379)</u>	<u>10,812,238</u>	<u>990,650</u>	<u>75,107</u>	<u>8,364,616</u>
Total liabilities and net assets	<u>\$ 7,066,145</u>	<u>\$ 10,850,208</u>	<u>\$ 31,428,096</u>	<u>\$ 172,824</u>	<u>\$ 49,517,273</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 11

Combining Statement of Revenues, Expenditures and Changes in Net Assets

Enterprise Funds

Year Ended June 30, 2004

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Total
Operating revenues					
Facilities rentals and charges for services	\$ 327,255	\$ -	\$ 5,719,573	\$ 86,844	\$ 6,133,672
Water sales, net	-	1,336,382	-	-	1,336,382
Miscellaneous	243	4,805	2,364	-	7,412
Total operating revenues	<u>327,498</u>	<u>1,341,187</u>	<u>5,721,937</u>	<u>86,844</u>	<u>7,477,466</u>
Operating expenses					
General	<u>1,439,442</u>	<u>1,232,803</u>	<u>10,828,552</u>	<u>182,606</u>	<u>13,683,403</u>
Total operating expenses	<u>1,439,442</u>	<u>1,232,803</u>	<u>10,828,552</u>	<u>182,606</u>	<u>13,683,403</u>
Operating income (loss)	<u>(1,111,944)</u>	<u>108,384</u>	<u>(5,106,615)</u>	<u>(95,762)</u>	<u>(6,205,937)</u>
Non-operating revenues (expenses)					
Interest on cash and investments	62,097	37,541	142,873	-	242,511
HUD operating subsidy and other federal funds	760,554	-	45,365	-	805,919
Interest expense on notes payable	(360,886)	-	(1,571,438)	-	(1,932,324)
Capital contributions from customers and other	233,804	129,415	-	-	363,219
Gain on sale of assets	53,565	-	-	-	53,565
Total non-operating revenues (expenses)	<u>749,134</u>	<u>166,956</u>	<u>(1,383,200)</u>	<u>-</u>	<u>(467,110)</u>
Net income (loss) before operating transfers	<u>(362,810)</u>	<u>275,340</u>	<u>(6,489,815)</u>	<u>(95,762)</u>	<u>(6,673,047)</u>
Operating transfers in	271,758	178,078	8,017,444	86,844	8,554,124
Operating transfers (out)	-	-	-	-	-
Total transfers	<u>271,758</u>	<u>178,078</u>	<u>8,017,444</u>	<u>86,844</u>	<u>8,554,124</u>
Change in net assets	<u>(91,052)</u>	<u>453,418</u>	<u>1,527,629</u>	<u>(8,918)</u>	<u>1,881,077</u>
Net assets (deficit), beginning of year	<u>(4,191,314)</u>	<u>9,922,337</u>	<u>95,663</u>	<u>7,181</u>	<u>5,833,867</u>
Prior period adjustments	768,987	436,483	(632,642)	76,844	649,672
Net assets (deficit) as adjusted	<u>(3,422,327)</u>	<u>10,358,820</u>	<u>(536,979)</u>	<u>84,025</u>	<u>6,483,539</u>
Net assets (deficit), end of year	<u>\$ (3,513,379)</u>	<u>\$ 10,812,238</u>	<u>\$ 990,650</u>	<u>\$ 75,107</u>	<u>\$ 8,364,616</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 12

Combining Statement of Cash Flows

Enterprise Funds

Year Ended June 30, 2004

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Total
Cash Flows from Operating Activities					
Cash received from customers and others	\$ 300,825	\$ 1,368,826	\$ 5,083,667	\$ -	\$ 6,753,318
Cash payments to suppliers for goods and services	(354,728)	(466,466)	(9,736,462)	(21,404)	(10,579,060)
Cash payments to employees for services	(817,910)	(529,753)	(1,148,347)	(156,031)	(2,652,041)
Net cash provided (used) by operating activities	<u>(871,813)</u>	<u>372,607</u>	<u>(5,801,142)</u>	<u>(177,435)</u>	<u>(6,477,783)</u>
Cash Flows Provided from Noncapital Financing activities					
Cash from grantors	558,837	-	45,365	-	604,202
Cash due from General fund	-	-	-	89,411	89,411
Cash from operating transfers in	271,758	178,078	8,017,444	86,844	8,554,124
Cash used for operating transfers out	-	-	-	-	-
Net cash provided by noncapital financing activities	<u>830,595</u>	<u>178,078</u>	<u>8,062,809</u>	<u>176,255</u>	<u>9,247,737</u>
Cash Flows Provided from Capital and Related Financing Activities					
Payment of notes payable and accrued interest	-	-	(1,928,145)	-	(1,928,145)
Cash paid for of fixed assets and water rights	(15,334)	(116,719)	(324,532)	(3,107)	(459,692)
Proceeds from sale of assets and other	399,373	-	-	-	399,373
Net cash (used by) provided by capital and related financing activities	<u>384,039</u>	<u>(116,719)</u>	<u>(2,252,677)</u>	<u>(3,107)</u>	<u>(1,988,464)</u>
Cash Flows from Investing Activities - Interest on cash and investment					
	<u>62,097</u>	<u>37,541</u>	<u>142,873</u>	<u>-</u>	<u>242,511</u>
Net increase (decrease) in cash and cash equivalents	404,918	471,507	151,863	(4,287)	1,024,001
Cash and investments at beginning of year	<u>1,559,633</u>	<u>1,883,691</u>	<u>6,039,292</u>	<u>4,287</u>	<u>9,486,903</u>
Cash and investments at end of year	<u>\$ 1,964,551</u>	<u>\$ 2,355,198</u>	<u>\$ 6,191,155</u>	<u>\$ -</u>	<u>\$ 10,510,904</u>

The accompanying notes are an integral part of this statement.

(Continued)

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 12

Combining Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2004

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Total
Reconciliation of operating income (loss to net cash provided (used) by operating activities					
Operating income (loss)	<u>\$ (1,111,944)</u>	<u>\$ 108,384</u>	<u>\$ (5,106,615)</u>	<u>\$ (95,762)</u>	<u>\$ (6,205,937)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization expenses	239,770	190,642	882,694	3,107	1,316,213
Bad debt expense	11,534	41,000	500,000	-	552,534
Change in assets and liabilities					
(Increase) decrease in accounts receivable	(19,384)	(68,715)	(882,395)	(86,844)	(1,057,338)
(Increase) decrease in notes receivable	-	188,384	-	-	188,384
(Increase) decrease in prepaids	391	-	-	-	391
Increase (decrease) in accounts payable and compensated absences	15,500	(87,088)	(1,203,612)	1,773	(1,273,427)
(Decrease) increase in deposits held for others and other	<u>(7,680)</u>	<u>-</u>	<u>8,786</u>	<u>291</u>	<u>1,397</u>
Total adjustments	<u>240,131</u>	<u>264,223</u>	<u>(694,527)</u>	<u>(81,673)</u>	<u>(271,846)</u>
Net cash provided by (used by) operating activities	<u><u>\$ (871,813)</u></u>	<u><u>\$ 372,607</u></u>	<u><u>\$ (5,801,142)</u></u>	<u><u>\$ (177,435)</u></u>	<u><u>\$ (6,477,783)</u></u>

Supplemental information: Non monetary transactions - HUD forgave \$201,718 of interest and principal and contributed revenue was credited. Also the County governmental funds paid for \$233,804 of fixed asset additions for Housing Services and \$129,415 of fixed asset additions for the Utilities Department.

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 13

Agency Funds
Statement of Net Assets
June 30, 2004

ASSETS

Equity in pooled cash and investments - restricted	\$ 1,972,127
Property taxes receivable	8,480,534
Total assets	<u>10,452,661</u>

LIABILITIES

Deferred revenue - taxes to be collected	8,480,534
Overpayments and taxes paid in advance	861,493
Deposits held for others	367,621
Due to other funds	270,124
Undistributed taxes to other entities	472,889
Total liabilities	<u>10,452,661</u>
Net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Santa Fe County (County) was established by the laws of the Territory of New Mexico of 1852, under provisions of the act now referred to as Section 4-26-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provided the following services as authorized in the grant of powers: public safety (police, fire), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's entity wide financial statements sheet includes the accounts of all the County's operations. The County's major operations include sheriff and fire protection, collection of and distribution of property taxes, parks and recreation, planning and zoning, certain health social service, general administration service, low income housing assistance jail operations and the utilities division.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statements 14 and 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. GASB 39 became effective July 1, 2003 which expanded the criteria of a component unit and the Rancho Viejo Improvement District is now part of the County's financial statements as a debts service fund. In the prior years, the transactions were accounted for in an agency fund. See footnote 2 for the financial statement impact.

There is not a separate governing body for the Rancho Viejo Improvement District and per the debt offering statement the County's, Commissioners becomes the governing body. The funds from the debt benefited the County and accordingly, per GASB39, the Rancho Viejo Improvement District fund is blended with the County's financial statements.

During July 1996, the Housing Authority's Board resigned and day to day operations became a County responsibility. The Authority operations are included in the financial statements as a County enterprise and special revenue funds. The Santa Fe County Housing Authority Enterprise Fund is now known as Housing Services Enterprise Fund (Housing Services).

The Santa Fe County Water Company (Water Company) was organized for the purposes of planning, studying, designing, financing, constructing, purchasing, owning, operating, maintaining, and improving systems for the supply and distribution of water to and for the general public in one or more areas of Santa Fe County, New Mexico, pursuant to and in accordance with the Franchise Ordinance and other contractual agreements with the Commission, in order to promote the conservation of and efficient use of water (and for related purposes). During July 1996, the Water Company was dissolved and is now accounted for as a County enterprise fund.

The Water Company, now known as Santa Fe County Utilities Department (Utilities Department) is an enterprise fund and its operations had commenced June 28, 1996. Costs incurred in the planning and design of a water system have been capitalized and are amortized over the 50 year life of the water system.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

The financial statements of the County have been prepared to conform with generally accepted accounting principles (GAAP) as applied to governmental entities. The County is responsible for the fair presentation in the basic financial statements of its financial position, results of operations and cash flows of the proprietary funds in conformity with United States generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34). This statement affects the manner in which the county records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management Discussion and Analysis – GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the County’s financial activities in the form of management’s discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements –The reporting model includes financial statements prepared using full accrual accounting for all the County’s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Basis of Accounting

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements and
- Notes to the basic financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* including depreciation expense are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to other functions but is included in general government functions. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as they are recorded.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting.

Fiduciary Fund Types (Agency funds) use the accrual basis of accounting. Agency funds are used to account for assets held as an agent for individuals, private organizations and other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Exceptions to this general rule include: debt service expenditures which are recorded when fund liabilities are due and to compensated absences which are recorded only when payable from current available financial resources.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property, that are not available are recorded as both accounts receivable and deferred revenue. Gross receipts and other intergovernmental taxes are not recorded as the amounts are not estimable. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

are usually not measurable until payment is actually received.

The County reports deferred revenue on its governmental fund and government wide balance sheets. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has legal claim to the, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent period when both revenue recognition criteria methods are met or when the county has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Customer contributions owed to the Utilities Department for the extension of the water system to their property is recorded as revenue when the customer begins to receive water service. Customer contributions owed to the Utilities Department are recorded as notes receivable and deferred revenue if water service has not yet been extended to the customer. Mortgage receivables owed to Housing Services Fund when the homeowner purchased the property under the Home Sales program is not owed unless the homeowner sells the property. Deferred revenue is recorded until the homeowner sells the property and the mortgage receivable is paid off.

Presentation of Funds

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The transactions of each fund are summarized in a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses/expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- *Ten percent criterion* – An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- *Five percent criterion* – An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial activities except those required to be accounted for in other funds. It is funded primarily through property, gross receipts and other miscellaneous taxes.

Capital Outlay Gross Receipts Tax Proceeds Fund. This fund receives a ¼ cent gross receipt tax to be used for various capital projects.

EMS and Health Care Fund. The revenues and expenditures in the Emergency Service Fund (EMS) represent health and emergency services revenue, and associated health and emergency services. Revenues include the receipt of the full 1/8 cent Gross Receipt tax dedicated to emergency services and health services payments through a Memo of Understanding with St. Vincent’s Hospital. The EMS and Health Care Fund was established by the Board of County Commissioners.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

Presentation of Funds (Continued)

Open Space Bond Proceeds. This was a major fund in 2003 but no longer meets the major fund criteria fund for 2004. This fund included revenue and expense from two Open Space General Obligation Bonds, the 1999 Series Open Space Bond of \$12 million and the 2001 Open Space Bond of \$8 million.

The County has the following other non-major funds that are listed on the following pages of this report. Non Major Special Revenue on pages 54 to 56, Non Major Debt Service on page 72 and Non Major Capital Project Funds on page 78.

The County has elected to have all of its enterprise funds to be classified as major funds. The following are the major enterprise funds.

Housing Services. To this fund handles the funding and expense of the County's Public Housing Authority. Revenue for this fund is derived from housing rentals and Housing and Urban Development (HUD) grants and subsidies.

Utilities Department. This fund handles the funding and expense of the Water and Wastewater utilities of Santa Fe County.

Jail Facility. This fund handles the funding and expense of the County Jail and Juvenile Facility, through charges for care of prisoners from outside jurisdictions, Juvenile Facility building rental, and General Fund transfers.

Regional Planning Authority. This fund handles the funding and expense of the Regional Planning Authority, created by agreement between the City of Santa Fe and Santa Fe County.

Budgets

Budgets are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Appropriations of funds unused or overspent during the fiscal year may be carried over into the next fiscal year by budgeting those amounts in the subsequent year's budget. For the June 30, 2004 actual to budget comparisons, the actual amounts are reported on the budgetary basis, which is considered to differ from the modified accrual basis for governmental fund types and accrual basis for the enterprise funds.

Differences between the budgetary basis and GAAP include the following:

1. The budget includes encumbrances (unperformed contracts for goods or services). GAAP does not include encumbrances.
2. The budget does not include certain liabilities, receivables, and depreciation expense for enterprise funds. The GAAP basis financial statements do include these transactions.

Annual appropriated budgets are adopted for the general, special revenue, debt service, capital project funds and the enterprise funds. The Housing Services enterprise and special revenue budgets are also approved by HUD.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Annual Budget

Department heads and elected officials are required to complete budget request forms for each organizational unit. The Board of County Commissioners reviews the budget package and the amended budget is then adopted and approved by resolution. The Finance Department prepares the adopted budget for submission to the Local Government Division (LGD) of the Department of Finance and Administration (DFA) by June 1, for interim approval. Before July 1, DFA grants interim approval of the budget. The County's final annual budget document, which incorporates any changes recommended by DFA/LGD is prepared and submitted to DFA/LGD by July 31. During September, the County's final annual budget is reviewed and certified by DFA/LGD.

After the annual budget is adopted, the following types of adjustments must be approved by the governing body through a resolution and submitted to DFA for review and approval:

- Budget increases
- Transfers of budget or cash between funds
- Budget decreases

Additionally, it is County policy to prepare an internal budget adjustment request form for the following:

- Transfer within organizational unit (between expenditure categories)
- Transfer between organization units (same department and same fund)

Organizational unit budgets are monitored by the Finance Department to ensure that DFA and County policy are being followed. Additionally, a mid-year budget review is conducted which may include a hearing with the County Manager, Finance Department staff, and department heads and elected officials. During the hearing, department goals and objectives and budget status are reviewed. This review may result in budget adjustments.

The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the following funds, whose legal level of budgetary authority is at the program or district level:

Emergency Medical Services
Fire Districts

The following funds were not budgeted in 2004:

Rancho Viejo Improvement District
Federal Forfeitures Fund

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used for purchase orders, contracts, and other commitments for the expenditures of moneys to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration. In Governmental Fund Types, encumbrances outstanding at year-end are reported as reservations of fund balances in governmental funds and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) **Summary of Significant Accounting Policies (Continued)**

Equity in Pooled Cash and Investments

Equity in pooled cash and investments includes amounts in demand deposit accounts, money market accounts, certificates of deposit, U.S. Treasury securities, and repurchase agreements secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the County's name. The market value of the repurchase agreements approximate cost at June 30, 2004. Interest earned is allocated to the applicable County funds based on the County's policy of allocating interest to those funds which are required by law or by debt covenants. The remaining interest income is recorded in the General Fund.

State statutes authorize the County to invest excess funds in United States bonds or treasury certificates, other instruments backed by the full faith and credit of the United States Government and other investments allowed by law. Money market investments with a remaining maturity of one year or less when purchased are stated at cost or amortized cost. U.S. Treasury Securities are accounted for at fair value in accordance with GASB 31.

Statement of Cash Flows

For purposes of reporting cash flows in proprietary funds, cash and cash equivalents include equity in pooled cash and all highly liquid investments with a maturity of three months or less when purchased.

Property Taxes Receivable

The County is responsible for assessing, collecting and distributing property taxes for its own operational and debt service purposes and certain outside entities. Unpaid property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable in two installments not later than December 10 and May 10. Collections and remittance of property taxes are accounted for in the County Treasurer's Agency Fund. Amounts are recognized as revenue in the applicable governmental fund types under accounting principles generally accepted in the United States. The property taxes receivable for the general fund and for the debt service in the governmental fund financial statements are net of an allowance for uncollectible.

Due From/To Other Funds

These receivables and payables between funds are classified as "due from other funds" or "due to other funds" on the government fund balance sheet. Balances between governmental activities and business-type activities are shown as internal balances in the government-wide financial statements.

Restricted Assets

Cash excluding most of the general fund is reflected as restricted. Certain proceeds from the County's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also the cash in the enterprise funds are limited to their specific uses. The tenant security deposits applicable to the rental of housing units by the Housing Services enterprise fund and other Housing Services and special revenue cash from the Department of Housing and Urban Development is restricted for its purposes.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, computer software is included in the equipment category and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. The County does not have internally developed software. Major outlays for capital assets and improvement are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	25-40 years
Buildings and structures	40 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Infrastructure	25 years

The County elected in 2003 not to retroactively implement the capitalization of infrastructure assets. As a result, only the additions for the current year and 2003 have been capitalized. The County plans to add infrastructure assets acquired in prior years by 2006.

The Utilities Department consists of engineering costs and other expenses to plan and to build a water system. Depreciation expense is recorded by the Utilities Department over the estimated 50 year life of the water system. The Utilities Department depreciates its office furniture, vehicle and other assets over their applicable estimated lives that range from 3 to 5 years. The Housing Services enterprise fund depreciates its fixed assets over the estimated useful lives of the assets as follows: buildings – 40 years, all other assets – 5 years. The Jail Facility is being depreciated over a 40 year life and depreciates its office furniture, vehicles and other assets over their applicable estimated lives that range from 3 to 5 years. Interest expense from the bonds issued to construct the jail was capitalized as part of the construction cost.

Inventories and Assets held for Sale

Inventory items such as general supplies and parts are expensed when purchased since inventories are not material to the June 30, 2004 financial statements. Assets held for sale represent housing units available for sale.

Compensated Absences

Amounts of vested or accumulated vacation leave for governmental fund types are reported in the government wide financial statement. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees, in accordance with the provisions of governmental accounting. No liability is recorded for nonvesting accumulating sick leave benefits that are estimated, will be taken as "terminal leave" prior to retirement, or converted to annual leave during continued employment.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types long-term debt and other long-term obligations are recognized as a liability in the applicable governmental activities business type activities or proprietary fund type statement of net assets. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such external debt is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Equity

Reserves in governmental funds represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Reserved for subsequent years' expenditures - This represents the amounts, other than carryover expenditures, which are designated for subsequent year expenditures in accordance with grantor statutes.

This includes the amounts required by the New Mexico Department of Finance and Administration of budgeted expenditures reserved to maintain adequate cash flow. The County reserves 3/12 of total expenditures in the general fund and 1/12 in the Road fund.

Unreserved – Undesignated – This represents the excess of assets over liabilities of a governmental fund, which have not been reserved or designated for any purpose. These monies are available for unrestricted use by the County.

Bond Discounts and Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the period incurred. Bond discounts and issuance costs for proprietary funds and in the government-wide financial statements are deferred and amortized over the term of the bonds using the debt-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. These transactions are not eliminated in the government wide financial statements.

All other interfund transactions, except reimbursements, are reported as operations transfers. Contributions to the enterprise funds by the governmental funds of fixed assets are classified as non-operating revenue.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Totals (Memorandum Only) Columns

Totals columns in the government fund financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements

(2) Prior Period Adjustments and Reclassifications

The following prior period adjustments and reclassifications have been recorded to correct the beginning governmental fund balances and government-wide net assets.

	<u>General Fund</u>	<u>Non Major Special Revenue Funds</u>	<u>Non Major Debt Service Funds</u>	<u>Non Major Capital Project Funds</u>	<u>Enterprise Funds</u>
Fund balances equity as previously reported	\$19,133,595	\$ 19,946,344	\$ 4,220,200	\$ 11,009,261	\$ 5,833,867
To reclassify EMS and Health Care from a non major fund to a major fund	-	(3,128,723)	-	-	-
To reclassify Open Spaces Bond Proceeds Fund from a major fund to a non major fund	-	-	-	6,449,503	-
To reclassify Capital Outlay - Gross Receipts Tax Fund from a non major to a major fund	-	-	-	(3,361,387)	-
To reclassify Road Projects Fund from special revenue to capital projects fund	-	(1,551,632)	-	1,551,632	-
To reclassify Bond Proceeds Road from special revenue to a capital project fund	-	(918,945)	-	918,945	-
Prior period adjustments increase (decrease)					
To correct recording of accrued interest	166,603	-	-	-	-
To correct overstatement of cash for the recreation fund	-	(21,478)	-	-	-
To correct recording of accounts receivables for the Housing Services Grant Program	-	104,290	-	-	-
To correct recording of CFP fund accounts receivable to the prior fiscal year	-	78,585	-	-	-
To correct recording of accounts receivable to the prior fiscal year for the Santa Fe River fund	-	13,574	-	-	-
To correct Road Project Fund prior year accrual entries	-	-	-	(532,934)	-
To correct Rio En Medio fund balance to zero as project had seen completed in prior years	-	-	-	(74)	-
To record effect of GASB 39 implementation for Rancho Viejo Improvement District	-	-	193,693	-	-
To correct recording for trustee fees	-	-	(2,743)	-	-
Utilities Department					
To record effect of Rancho Viejo water system donated to the County prior to July 1, 2003, net of depreciation	-	-	-	-	336,000
To correct for prior year over depreciation of the water system	-	-	-	-	160,000
To correct recording of water rights incorrectly recorded to fixed assets and also to water rights	-	-	-	-	(795,119)
To correct note payable balance paid off in the 2003 fiscal year	-	-	-	-	45,006
To correct recording of revenue to the prior fiscal year instead of deferred revenue	-	-	-	-	630,998
To correct for depreciation expense incorrectly recorded on water rights	-	-	-	-	59,598
Total Utilities Department prior period corrections	-	-	-	-	436,483

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements

(2) Prior Period Adjustments and Reclassifications (Continued)

	<u>General Fund</u>	<u>Non Major Special Revenue Funds</u>	<u>Non Major Debt Service Funds</u>	<u>Non Major Capital Project Funds</u>	<u>Enterprise Funds</u>
Housing Services					
To correct overaccrual of interest expense and overstatement on notes payable balance	\$ -	\$ -	\$ -	\$ -	\$ 719,053
To correct recording of home sales activity, net of cost of sales	-	-	-	-	49,934
Total Housing Services prior period corrections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,987</u>
Jail Facility					
To correct understatement of prior year accounts payable balance	-	-	-	-	(1,668,711)
To correctly record amortization of deferred issuance costs for two years	-	-	-	-	(36,480)
To correct overstatement of deferred expenses	-	-	-	-	(296,325)
To correct overstatement of deferred revenue and prior year receivables, net	-	-	-	-	1,368,874
Total Jail Facility prior period corrections	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(632,642)</u>
Regional Planning Authority					
To correct recording of accounts receivable to the prior fiscal year for the Regional Planning Authority	-	-	-	-	76,844
Total net effect of prior period corrections and reclassification	<u>166,603</u>	<u>(5,424,329)</u>	<u>190,950</u>	<u>5,025,685</u>	<u>649,672</u>
Fund balances (equity) as adjusted, beginning of the year	<u>\$19,300,198</u>	<u>\$ 14,522,015</u>	<u>\$ 4,411,150</u>	<u>\$ 16,034,946</u>	<u>\$ 6,483,539</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(2) Prior Period Adjustments and Reclassifications (Continued)

The following are the prior period corrections to the beginning net assets in the government-wide financial statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
As previously reported	\$ 57,697,111	\$ 5,833,867
Net effect on prior period adjustments on the governmental and enterprise funds		
General Fund	166,603	-
Non Major Special Revenue Funds	98,330	-
Non Major Debt Service Funds	190,950	-
Non Major Capital Project Funds	(533,008)	-
Regional Planning Authority	-	76,844
Utility Department	-	436,483
Housing Services	-	768,987
Jail Facility	-	(632,642)
 To correct overstatement of assets held for sale sold in prior years	 (2,878,247)	 -
 To correct beginning long-term obligation balances for governmental activities		
Net effect of 2003 refunding issue for the 1993 bond issue not recorded in the prior year	(68,998)	-
Overstatement of NMFA loan payable balance	6,000	-
To record effect of GASB 39 implementation of Rancho Viejo Improvement District Debt	(1,900,000)	-
Net effect of prior period corrections on beginning balances	<u>(4,918,370)</u>	<u>649,672</u>
 Beginning net assets as adjusted	 <u>\$ 52,778,741</u>	 <u>\$ 6,483,539</u>

In addition for the Utility Department, the transaction to purchase water rights and a corresponding note payable balance of \$975,000 previously recorded in prior years has not been finalized and accordingly is not reflected as a liability or an asset since the \$75,000 previously recorded as water rights is still in escrow and has been reclassified to the Utility Department's beginning cash balance. The Utility Department has a commitment to purchase the water rights at June 30, 2004 for a total of \$1,050,000.

The effect of prior period adjustment and reclassification of capital assets is as follows:

Beginning capital assets as previously reported, net of depreciation	\$46,304,708
To correct overstatement of assets held for sale sold in prior years	(2,878,247)
To reclassify remaining balance of the assets held for sale, from capital assets to its own balance sheet account	<u>(725,269)</u>
	<u>\$42,131,580</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(2) Prior Period Adjustments and Reclassifications (Continued)

The effect of the prior period adjustments and reclassifications of long-term obligations is as follows:

Beginning governmental activities long-term obligations	\$52,122,188
Net effect of 2003 refunding issue for the 1993 bond issue not recorded in the prior year	68,998
Overstatement of NMFA loan payable balance	(6,000)
To record effect of GASB 39 implementation of Rancho Viejo Improvement District Debt	<u>1,900,000</u>
	<u>\$54,085,186</u>

The effect of the prior period adjustments of long-term obligations of the business type is as follows:

Beginning business type activities long-term obligations	\$40,241,430
To correct note payable balance paid off in the 2003 fiscal year	(45,006)
To correct overaccrual of HUD interest payable and HUD note Payable balances	(719,053)
To reverse recording of water rights and corresponding note payable	<u>(975,000)</u>
	<u>\$38,502,371</u>

Effect July 1, 2003, the County implemented GASB 39 "Determining Whether Certain Organizations are Component Units". Based on the criteria of GASB 39 the County determined that the activities of Rancho Viejo Improvement District which had been previously reported as an agency fund meet the definition of a component unit and are part of County's government financial statements as a debt service fund and the corresponding debt as part of the government wide governmental activities financial statements. Thus the effect on beginning balances are included above on the governmental and government activities financial statements.

The following is the effect on the beginning balance of the agency funds for Rancho Viejo Improvement District.

	As previously <u>reported</u>	<u>Restatement</u>	<u>As restated</u>
<u>Assets</u>			
Equity in pooled cash	\$ 2,372,265	\$ (193,693)	\$ 2,178,572
Property taxes receivable	7,619,269	-	7,619,269
	<u>\$ 9,991,534</u>	<u>\$ (193,693)</u>	<u>\$ 9,797,841</u>
<u>Liabilities</u>			
Deferred revenue	\$ 6,404,568	\$ -	\$ 6,404,568
Overpayment and taxes paid in advance	1,477,656	-	1,477,656
Deposit held for others	679,892	(193,693)	486,199
Due to other funds	602,941	-	602,941
Undistributed taxes to other entities	826,477	-	826,477
	<u>\$ 9,991,534</u>	<u>\$ (193,693)</u>	<u>\$ 9,797,841</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(3) Pooled Cash and Investments

The County follows the practice of pooling cash and investments of all funds, except for some of the debt service funds and certain other funds. Each fund's portion of total cash and investments is reflected in the balance sheet as equity in pooled cash and investments.

Pooled cash and investments held by the County include cash on deposit with financial institutions, money market accounts, certificates of deposit, repurchase agreements, treasury notes and treasury bills and mutual funds invested in government securities. Deposits are secured by both federal depository insurance and collateral pledged in the County's name. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. Market values of all cash, deposits and investments with a maturity of one year or less at the time of the purchase approximate the cost of those assets.

Deposits

The County's deposits are classified in three categories of credit risk: (1) insured or collateralized with securities in the County's name and held by the County or by its agent; (2) collateralized with securities pledged in the County's name and held by the pledging financial institution or by its agent and (3) uncollateralized since State Law required only 50% collateralization of the uninsured balance.

Deposits at financial institutions as of June 30, 2004, consist of the following:

	<u>Bank balance</u>	<u>Carrying amount</u>
Deposits in risk category 1:		
Cash, money market accounts and certificates of deposits 100% insured under federal depository insurance	\$ 500,000	\$ 500,000
Deposits in risk category 2:		
Cash, money market accounts and certificates of deposit	2,907,458	2,907,458
Deposits in risk category 3:		
Cash, money market accounts and certificates of deposit	<u>5,524,904</u>	<u>3,245,877</u>
Total deposits	<u>\$ 8,932,362</u>	<u>6,653,335</u>
Local government investment pool - invested by the State of New Mexico Office of the State Treasurer for the County, recorded at cost in accordance with GASB 31	<u>\$64,670,112</u>	<u>\$64,670,112</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(3) Pooled Cash and Investments (Continued)

	<u>Carrying Amount</u>
Repurchase agreements	\$ 2,675,505
U.S. Treasury bills and notes	1,338,754
U.S. Treasury cash reserves money market accounts	<u>1,587,362</u>
Total investments	<u>5,601,621</u>
 Total – all County deposits and investments	 <u>\$76,925,068</u>
 Amounts per financial statements:	
Agency funds equity in pooled cash and investments	\$ 1,972,127
Governmental Funds equity in pooled cash and investment – unrestricted	16,618,483
Governmental Funds equity in pooled cash and investment – restricted	47,823,554
Enterprise Funds equity in pooled cash and investments	<u>10,510,904</u>
	<u>\$76,925,068</u>

The County's investments are held by agents of the County in the County's name.

Market value is based on quoted market prices at year-end, costs approximate market value.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faiths and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to that contributing entities in amounts directory proportionate the respective amounts deposited in the fund and the length of time the amounts fund were invested. Participation in the local government investment pool is voluntary.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(4) Interfund Assets and Liabilities

The Interfund Assets and Liabilities reported in the governmental fund balance sheet consist of the following.

	<u>Receivables</u>	<u>Payables</u>
General	\$ 2,144,421	\$ -
Enterprise Funds:		
Housing Services	-	-
Regional Planning	-	89,411
Total Enterprise Funds	-	89,411
Non Major Special Revenue Funds:		
Santa Fe River	-	2,686
CFP Program	-	77,453
Total Special Revenue Funds	-	80,139
Debt Service Funds:		
Fire Tax Revenue Bonds	5,719	-
Total Revenue Bonds	5,719	-
Non Major Capital Projects Funds:		
State Special Appropriations	-	1,578,051
Community Development Block Grants (CDBG)	-	126,696
Bond Proceeds – Fire Tax	-	5,719
Total Capital Projects Funds	-	1,710,466
Agency Funds:		
County Treasurer	-	270,124
Total Agency Funds	-	270,124
 Total County	 \$ 2,150,140	 \$ 2,150,140

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(4) Interfund Assets and Liabilities (Continued)

Interfund Transactions

The County records transfers to fund the operations and projects of other funds to provide debt service and as otherwise needed and required.

The following is a summary of interfund transfers for the year ended June 30, 2004:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 1,295,709	\$ 9,945,566
EMS and Health Care	90,949	8,588
Capital Outlay GRT Fund	-	367,956
Total Major Funds	<u>1,386,658</u>	<u>10,322,110</u>
Enterprise Funds:		
Housing Services	271,758	-
Utilities Department	178,078	-
Jail Facility	8,017,444	-
Regional Planning Authority	86,844	-
Total Enterprise Funds	<u>8,554,124</u>	<u>-</u>
Non Major -Special Revenue Funds:		
Corrections Fund	-	471,000
Valuation Fund	2,093	-
Road Maintenance	1,573,282	-
Fire Fund	16,524	1,686,061
Fire Impact Fees	1,229,827	-
Indigent	753	9,153
Section 8 Voucher Program	-	192,563
CFP Program	-	25,000
Wildlife / Mountain Trails	242	60,858
Total Special Revenue Funds	<u>2,822,721</u>	<u>2,444,635</u>
Non Major Debt Service:		
Debt Service	130,148	-
Environmental Revenue Bond Fund	-	736,500
Environmental Revenue Reserve Fund	-	206,736
NMFA	377,719	-
Sheriff Facility Bond Reserve	396,300	-
Fire Tax Revenue Bond	412,478	-
Total Debt Service Funds	<u>1,316,645</u>	<u>943,236</u>

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(4) **Interfund Assets and Liabilities (Continued)**

Capital Projects:	<u>Transfers In</u>	<u>Transfers Out</u>
Roads	\$ 64,513	\$ 399,975
GOB Series 1997	-	22,043
Special Appropriations and Other Projects	109,443	14,000
GOB Series 2001	-	108,105
Total Capital Projects Funds	<u>173,956</u>	<u>544,123</u>
 Total County	 <u>\$ 14,254,104</u>	 <u>\$ 14,254,104</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(5) Capital Assets

The changes in Capital Assets for the year ended June 30, 2004 are as follows:

	Restated			
	June 30, 2003			June 30, 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Land	\$ 15,472,030	\$ 562,423	\$ -	\$ 16,034,453
Assets being depreciated				
Buildings and improvements	30,379,371	865,483	(1,875)	31,242,979
Infrastructure	2,371,943	586,861	-	2,958,804
Equipment and vehicles	27,802,140	4,486,452	(280,157)	32,008,435
Furniture and fixtures	633,274	8,768	-	642,042
	<u>76,658,758</u>	<u>6,509,987</u>	<u>(282,032)</u>	<u>82,886,713</u>
Accumulated depreciation				
Buildings and improvements	(15,189,686)	(781,075)	1,875	(15,968,886)
Infrastructure	(94,878)	(118,352)	-	(213,230)
Equipment and vehicles	(18,071,391)	(6,401,687)	280,157	(24,192,921)
Furniture and fixtures	(601,611)	(128,408)	-	(730,019)
Total accumulated depreciation	<u>(33,957,566)</u>	<u>(7,429,522)</u>	<u>282,032</u>	<u>(41,105,056)</u>
	<u>\$ 42,701,192</u>	<u>\$ (919,535)</u>	<u>\$ -</u>	<u>\$ 41,781,657</u>

Depreciation expense was charged to the following functions of the County:

Governmental activities	
General government	\$ 3,086,966
Public Safety	2,340,300
Health and Welfare	404,909
Culture and recreation	57,950
Highways and streets	<u>1,539,397</u>
Total depreciation expense	<u>\$ 7,429,522</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(5) Capital Assets (Continued)

The following is a summary of proprietary funds fixed assets at June 30, 2004:

	Restated June 30, 2003			June 30, 2004
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Housing Services				
Land	\$ 637,285	\$ -	\$ -	\$ 637,285
Assets being depreciated				
Equipment and vehicles	348,086	57,915	(51,724)	354,277
Land, buildings and improvements	6,670,408	11,806	-	6,682,214
	<u>7,655,779</u>	<u>69,721</u>	<u>(51,724)</u>	<u>7,673,776</u>
Less: Accumulated depreciation	<u>(3,136,720)</u>	<u>(239,770)</u>	<u>51,724</u>	<u>(3,324,766)</u>
Net fixed assets	<u>\$ 4,519,059</u>	<u>\$ (170,049)</u>	<u>\$ -</u>	<u>\$ 4,349,010</u>
Utilities Department				
Water system	\$ 6,803,398	\$ 155,187	\$ -	\$ 6,958,585
Office equipment, furniture and vehicle	169,022	90,947	(2,424)	257,545
	<u>6,972,420</u>	<u>246,134</u>	<u>(2,424)</u>	<u>7,216,130</u>
Less: Accumulated depreciation	<u>(915,280)</u>	<u>(190,642)</u>	<u>485</u>	<u>(1,105,437)</u>
Net fixed assets	<u>\$ 6,057,140</u>	<u>\$ 55,492</u>	<u>\$ (1,939)</u>	<u>\$ 6,110,693</u>
Jail Facility				
Land	\$ 126,781	\$ -	\$ -	\$ 126,781
Assets being depreciated				
Jail facility	26,433,588	119,869	-	26,553,457
Office equipment and furniture	841,013	199,734	(4,116)	1,036,631
Vehicles	247,981	5,693	-	253,674
	<u>27,649,363</u>	<u>325,296</u>	<u>(4,116)</u>	<u>27,970,543</u>
Less: Accumulated depreciation	<u>(3,713,687)</u>	<u>(864,404)</u>	<u>4,116</u>	<u>(4,573,975)</u>
Net fixed assets	<u>\$ 23,935,676</u>	<u>\$ (539,108)</u>	<u>\$ -</u>	<u>\$ 23,396,568</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(5) Capital Assets (Continued)

	June 30, 2003			June 30, 2004	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	
Regional Planning Authority					
Equipment and machinery	\$ 13,261	\$ 3,107	\$ (2,902)	\$ 13,466	
Less: Accumulated depreciation	(3,814)	(2,693)	2,177	(4,330)	
Net fixed assets	<u>\$ 9,447</u>	<u>\$ 414</u>	<u>\$ (725)</u>	<u>\$ 9,136</u>	

Depreciation expense was \$239,770 for Housing Services, \$190,642 for the Utilities Department and \$864,404 for the Jail Facility and \$3,107 for the Regional Planning Authority for the year ended June 30, 2004, respectively.

(6) Long-Term Obligations

The following is a summary of long-term obligations of the County for the year ended June 30, 2004:

	Restated June 30, 2003			June 30, 2004		Due within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>one year</u>	
Governmental Activities						
General obligation and gross						
receipts bonds	\$ 48,103,998	\$ -	\$ 1,990,000	\$ 46,113,998	\$ 2,405,000	
Environmental revenue bonds	460,000	-	460,000	-	-	
Fire protection revenue bonds	630,000	-	630,000	-	-	
Landfill closure and postclosure						
care costs	535,593	500,000	11,923	1,023,670	69,200	
Capital lease obligations	308,852	-	81,842	227,010	81,843	
Compensated absences	1,266,590	1,243,167	886,613	1,623,144	1,623,144	
Bonds payable issued via NMFA	880,153	-	343,599	536,554	347,850	
Component Unit - Rancho Viejo						
Improvement District	<u>1,900,000</u>	<u>-</u>	<u>25,000</u>	<u>1,875,000</u>	<u>30,000</u>	
 Total County	 <u>\$ 54,085,186</u>	 <u>\$ 1,743,167</u>	 <u>\$ 4,428,977</u>	 <u>\$ 51,399,376</u>	 <u>\$ 4,557,037</u>	

The governmental funds primarily the general fund has paid for compensated absences for the year ended June 30, 2004.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

Business Type	Restated			June 30, 2004	Due within
	June 30, 2003	Balance	Additions	Deletions	Balance
HUD note payable	\$ 5,365,008	\$ -	\$ 96,979	\$ 5,268,029	\$ 100,203
HUD interest payable	4,677,670	256,148	-	4,933,818	-
Jail facility	28,459,693	-	349,693	28,110,000	356,000
	<u>\$ 38,502,371</u>	<u>\$ 256,148</u>	<u>\$ 446,672</u>	<u>\$ 38,311,847</u>	<u>\$ 456,203</u>

General obligation and gross receipts bonds consist of the following issues:

Proceeds from prior years' general obligation bonds have been used for capital projects, open space, refunding, road improvements and a regional landfill and are payable from the County's collection of property taxes. Debt service payments are made by the debt service funds.

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2004 Balance	Due within one year
February 1, 1997	5.0-7.5%	2016	\$ 10,500,000	\$ 9,230,000	\$ 250,000
February 1, 1997	4.1-5.7%	2027	6,000,000	5,350,000	125,000
June 15, 1999	4.5-7.0%	2018	12,000,000	11,820,000	-
June 15, 1999	3.7-4.4%	2007	4,310,000	2,595,000	575,000
May 1, 2001	4.4-5.5%	2018	8,500,000	7,935,000	625,000
November 1, 2001	4.0-4.625%	2017	8,000,000	7,215,000	420,000
June 13, 2003	1.18-2.80%	2008	2,293,998	1,968,998	410,000
			<u>\$ 51,603,998</u>	<u>\$ 46,113,998</u>	<u>\$ 2,405,000</u>

The remaining balances of the \$460,000 of the environmental revenue bonds and \$630,000 of the fire protection bonds has been paid off during the 2004 fiscal year.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

The bonds issued through the New Mexico Finance Authority (NMFA) consist of the following issues:

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2004 Balance	Due within <u>one year</u>
November 1, 1994	4.7-6.0%	2004	\$ 121,000	\$ 10,000	\$ 10,000
November 1, 2001	3.02-3.62%	2006	833,333	371,015	182,311
November 1, 2001	3.02-3.5%	2005	565,556	155,539	155,539
			<u>\$ 1,519,889</u>	<u>\$ 536,554</u>	<u>\$ 347,850</u>

The NMFA bond issues are secured by a portion of the County's state fire protection revenue.

Scheduled maturities of general obligation, gross receipts and bonds payable issued through the NMFA are as follows for the years subsequent to June 30, 2004:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,752,850	\$ 2,191,728
2006	2,708,704	2,080,531
2007	2,630,000	1,953,600
2008	3,205,000	1,849,243
2009	3,098,998	1,711,858
2010-2014	16,885,000	6,599,157
2015-2019	12,745,000	4,337,105
2020-2024	1,495,000	618,600
2025-2027	1,130,000	138,300
	<u>\$ 46,650,552</u>	<u>\$ 21,480,122</u>

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(6) **Long-Term Obligations (Continued)**

Capitalized Lease Obligations

The County is obligated under the following leases accounted for on capital leases:

State Board of Finance, payable annually at \$58,159, Interest free. Secured by voting machines with final payment due December 2004	\$ 58,159
State Board of Finance, payable annually at \$5,350, Interest free. Secured by voting machines with final payment due December 2013	37,450
State Board of Finance, payable annually at \$7,133, Interest free. Secured by voting machines with final payment due December 2012	64,201
State Board of Finance, payable annually at \$11,200 Interest fee. Secured by voting machines with final payment due December 2009	67,200
	\$ 227,010

Year Ending

2005	\$ 81,843
2006	23,683
2007	23,683
2008	23,683
2009	23,683
2010-2012	50,435
	\$ 227,010

Payments of principal and interest to the State Board of Finance were paid from the general fund and recorded as government service expenditures in the general fund governmental financial statements.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

Landfill Closure and Postclosure Care Cost

The County follows GASB Statement No. 18, which requires that the current cost of landfill closure and postclosure care be recognized over the estimated life of the landfill.

State and federal laws and regulations require the County to place a final cover on the County-operated landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be incurred after the date the landfill stops accepting waste, the County reports these closure and postclosure care costs as a liability as of each balance sheet date. The County closed the landfill during fiscal year 1997. The \$1,023,670 reported as landfill closure and postclosure care liability at June 30, 2004 represents managements' estimate for standard monitoring and compliance to 2027. An additional \$500,000 has been accrued for these costs in 2004. Annual ground water monitoring has demonstrated the County is not in compliance with ground water contamination. The County is now required to perform additional monitoring of the ground water. The County estimates it will expend approximately \$69,200 for postclosure costs in the next fiscal year and will be funded by general fund revenues. Current year expenditures of \$11,923 were paid by the General Fund. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal 2004. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Compensated Absences

A long-term liability amounting to \$1,623,144 at June 30, 2004 has been recorded representing the County's commitment to fund compensated absences from future operations. Vacation, compensating time and sick leave earned is cumulative; however, vacation time is limited to 240 hours that can be carried forward to the next calendar year. Excess time up to eighty hours can be sold back to the County if sufficient funding is available every January. Sick leave accumulated in excess of 240 hours is payable to employees at a rate equal to 50 percent of their hourly rate upon retirement. Employees can earn a maximum of 45 hours of compensatory time.

Prior Year Defeasance of Debt

In prior years, the County defeased the 1990 Facilities Project Revenue Bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments for these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2004, \$4,429,000 of bonds outstanding are considered defeased.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

Rancho Viejo Improvement District Bonds

The County issued \$1,950,000 of 7.25% Rancho Viejo Improvement District Bonds during the 2000 fiscal year to provide assistance in the development of land within Rancho Viejo Improvement District (District). These bonds are secured by a ten dollar per one thousand dollars of net taxable value within the District.

Proceeds were used for the water system and roads which had been donated to the County. Any remaining funds from the assessments from the property owners revert to the County after the debt is paid off. Effective July 1, 2003 because of the implementation of GASB 39, the District is a component unit of the County and the debt service activity and corresponding debt is included in the County's financial statements. The following is the debt service requirement for these bonds.

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 30,000	\$ 135,937	\$ 165,937
2006	30,000	133,762	163,762
2007	35,000	131,587	166,587
2008	35,000	129,050	164,050
2009	40,000	126,512	166,512
2010-2014	235,000	586,523	821,523
2015-2019	325,000	489,374	814,374
2020-2024	470,000	352,348	822,348
2025-2029	675,000	154,061	829,061
	<u>\$ 1,875,000</u>	<u>\$ 2,239,154</u>	<u>\$ 4,114,154</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

Notes Payable - (Housing Services Enterprise Fund)

The Housing Services Enterprise Fund has the following notes payable due to the Department of Housing and Urban Development (HUD). The long-term debt at June 30, 2004 was as follows:

Notes payable issued on December 10, 1982 for \$2,677,358 at 6.6% interest. Annual payments of \$201,717 due on November 1 with a maturity date of November 1, 2014. Payments of principal and interest are made by or forgiven by HUD on the Housing Authority's behalf	\$1,542,755
Other notes payable to HUD at various interest rates and terms	<u>3,725,274</u>
Total long-term debt	5,268,029
Less: current portion	<u>100,203</u>
Total long-term portion	<u>\$5,167,826</u>

No payments are being made on the other notes payable to HUD. The remaining debt and related interest is expected to be forgiven by HUD in the future.

The aggregate maturities of the Housing Services long-term debt at June 30, 2004 are as follows:

<u>Year Ending</u>	<u>Principal Amount Payable</u>
2005	\$ 100,203
2006	106,816
2007	113,866
2008	121,381
2009	129,392
2010-2014	971,097
2015-Thereafter	<u>3,725,274</u>
Total	<u><u>\$ 5,268,029</u></u>

Correctional System Revenue Bonds (Jail Facility Enterprise Fund)

During February 1997, the County issued \$30,000,000 of Correctional System Revenue Bonds. The County has used a substantial portion of the proceeds to construct a new adult detention facility in Santa Fe County. A portion of the proceeds may also be used to renovate the existing County detention facility into a juvenile facility. At June 30, 2004 interest rates range from 4.7% to 6.0%. The bonds are secured by the jail facility and income derived from the jail facility.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(6) Long-Term Obligations (Continued)

The maturities of the jail facility's long-term debt at June 30, 2004, is as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 365,000	\$ 1,562,045	\$ 1,927,045
2006	700,000	1,544,890	2,244,890
2007	735,000	1,511,290	2,246,290
2008	775,000	1,474,540	2,249,540
2009	810,000	1,435,790	2,245,790
2010-2014	4,725,000	6,507,950	11,232,950
2015-2019	6,045,000	5,189,000	11,234,000
2020-2024	7,950,000	3,288,400	11,238,400
2025-2029	6,005,000	735,100	6,740,100
	<u>\$ 28,110,000</u>	<u>\$ 23,249,005</u>	<u>\$ 51,359,005</u>

Conduit Debt Obligations

The County has issued Project Revenue Bonds to provide assistance for the El Castillo Retirement Residences Project. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there were two series of Project Revenue Bonds outstanding, with an aggregate principal amount payable of \$15,660,000.

The County has issued \$3,000,000 multi-family Housing Revenue Bonds in August 1998 to provide assistance for the construction of the Villa Grande Apartments. The bonds are secured by the revenues and mortgage of the property. The County is not obligated in any manner for repayment of these bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2004 the amount of bonds outstanding were \$3,000,000.

Total conduit debt outstanding at June 30, 2004 was \$18,660,000.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(7) **GAAP Basis to Budget Basis Reconciliation**

The following is a reconciliation for the governmental funds GAAP basis financial statement information to Non GAAP budgetary basis:

	<u>Major Funds</u>			<u>Non Major Special Revenue</u>	<u>Non Major Debt Service</u>	<u>Non Major Capital Projects</u>
	<u>General</u>	<u>EMS and Health Care</u>	<u>Capital Outlay GRT</u>			
<u>GAAP basis revenues</u>	\$37,553,239	\$ 7,414,189	\$ 8,248,286	\$ 14,434,838	\$ 6,348,807	\$2,392,161
Adjustments:						
Entries to reverse prior year accruals	78,536	743,080	1,445,949	1,174,809	172,530	1,774,903
Entries to record current year accruals	(1,119,230)	(1,014,506)	(1,513,639)	(2,356,296)	(200,493)	(2,829,341)
Rancho Viejo improvement district not budgeted	-	-	-	-	(209,886)	-
Federal forfeitures fund not budgeted	-	-	-	(120,024)	-	-
<u>Budgetary basis revenues</u>	<u>\$36,512,545</u>	<u>\$ 7,142,763</u>	<u>\$ 8,180,596</u>	<u>\$ 13,133,327</u>	<u>\$ 6,110,958</u>	<u>\$1,337,723</u>
<u>GAAP basis expenditures</u>	\$27,226,584	\$ 7,352,397	\$ 138,258	\$ 13,124,151	\$ 5,895,156	\$2,392,805
Adjustments:						
Current year encumbrances outstanding, net of account payable	1,476,909	452,489	48,534	2,261,785	-	899,829
Other audit entries	18,996	(6,198)	-	4,408	-	(1,401)
Rancho Viejo improvement district not budgeted	-	-	-	-	(163,656)	-
Federal forfeitures fund not budgeted	-	-	-	(27,341)	-	-
<u>Budgetary basis expenditures</u>	<u>\$28,722,489</u>	<u>\$ 7,798,688</u>	<u>\$ 186,792</u>	<u>\$ 15,363,003</u>	<u>\$ 5,731,500</u>	<u>\$3,291,233</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Retirement, Health and Deferred Compensation Plans

PERA Retirement Plan

Substantially all of the County's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Covered employees are required under the current plan to contribute 3.2875% of their gross salary for general member coverage in accordance with Municipal Division - General Coverage Plan 3, and 3.09% for police member coverage in accordance with Police Coverage Plan 4. The County is required by state statute to contribute the following percentages in accordance with the respective plans above: 19.0125% for general member coverage, and 27.76% for police member coverage. The contribution requirements may be amended by acts of the legislature.

The County contribution requirements for the years ended June 30, 2004, 2003 and 2002 were \$3,789,224, \$2,982,751, and \$3,280,798 respectively. The contributions were the required amounts from the County and employees.

Retiree Health Care Act Contributions

The Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Volunteer Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible retirees are: (1) Retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires on or before July 1, 1995, in which event the time period required for employee and employer contributions shall become the period of time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 0.65% of the employee's annual salary. Each participating retiree pays a monthly premium for the basic single plan and an additional participation fee of five dollars (\$5) if eligible participant retired prior to July 1, 1990 and made no contributions to the plan.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(7) **Retirement, Health and Deferred Compensation Plans (Continued)**

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 810 West San Mateo, Santa Fe, New Mexico 87505.

For the fiscal year ended June 30, 2004, the County remitted \$209,339 in employer contributions and \$104,670 in employee contributions to the Retiree Health Care Authority.

(8) **Fund Balance and Net Assets (Deficits)**

The following funds had fund balance deficits at June 30, 2004:

Enterprise Funds

The Housing Services enterprise fund has a net assets deficit of \$(3,513,379) at June 30, 2004. The deficit is mainly a result of recording depreciation expense and accruing interest expense on notes payable balances which management believes the Department of Housing and Urban Development will forgive.

The unreserved, undesignated fund balance (deficit) is the component of fund balances that represents the portion of the encumbrances which have not been billed to the applicable funding source. The following funds have unreserved, undesignated fund balance deficits, Law Enforcement Protection Fund, CFP Program and CDBG funds.

(9) **Applicable Segment Information**

Housing Services - Accounts receivable

The aging of accounts receivable as of June 30, 2004 is as follows:

Current (0-60 days)	\$ 29,639
Past due (more than 61 days)	<u>128,456</u>
	158,095
Less allowance for uncollectible accounts	<u>128,456</u>
	<u>\$ 29,639</u>

Housing Services has \$50,664 in tenant deposits that are deposited in Housing Services general cash account. Housing Services has \$131,300 in Family Self Services Escrow deposits that are deposited in a separate bank account at 1st State Bank and are accounted for in the Section Eight special revenue fund and the liabilities are included in deposits held for others.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(9) Applicable Segment Information (Continued)

The following segment information is for the enterprise funds that have outstanding debt as of June 30, 2004 and the following information is required to be presented as follows:

	<u>Housing Services</u>	<u>Jail Facility</u>
Operating revenues	<u>\$ 327,498</u>	<u>\$ 5,721,937</u>
Depreciation and amortization	<u>\$ 239,770</u>	<u>\$ 882,694</u>
Income (loss) before operating transfers	<u>\$ (362,810)</u>	<u>\$ (6,489,515)</u>
Transfers in	<u>\$ 271,758</u>	<u>\$ 8,017,444</u>
Net income (loss)	<u>\$ (91,052)</u>	<u>\$ 1,527,629</u>
Fixed asset additions	<u>\$ 69,721</u>	<u>\$ 325,296</u>
Net working capital	<u>\$ 2,239,255</u>	<u>\$ 4,925,591</u>
Total assets	<u>\$ 7,066,145</u>	<u>\$ 31,428,096</u>
Long-term liabilities	<u>\$ 10,101,644</u>	<u>\$ 27,745,000</u>
Total net assets (deficit)	<u>\$ (3,513,379)</u>	<u>\$ 990,650</u>

(10) Commitments and Contingencies

The County receives funds from federal and state agencies. These funds are subject to audit and adjustment to the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded. The County believes that the amounts, if any, that would be refunded would not have a material effect on the County's financial position at June 30, 2004.

Joint Powers Agreements

Santa Fe Solid Waste Management Agency – Under authorization of the New Mexico State Statute 11-1-1, the County of Santa Fe joined the City of Santa Fe to jointly undertake their powers to dispose of solid waste as mandated by state and federal regulations and provide a more efficient and cost-effective method of solid waste disposal to the County and City citizens.

The County and the City established the Santa Fe Solid Waste Management Agency (Agency) through a Joint Powers Agreement in February 1995, as a public entity separate from the County or the City. The agreement delegated to the Agency the power to plan for, operate, construct, maintain, repair, replace, or expand the facility. The County Commission and the City Council approve the annual budget. The Agency has the authority to adopt revenue bond ordinances so long as such an ordinance is duly ratified by the governing bodies of the County and the City. A five member staff advisory committee was established by the agreement and is comprised of the finance directors from the County and the City, the County public works department director, the City utilities department director and the Agency director. A five member citizens advisory committee was also established. The Agency is charged to comply with all laws, rules and regulations for operations under the permit issued from the New Mexico Environment Department. The Board of Directors for the Agency consists of four members who are appointed by the Board of County Commissioners and four members who are appointed by the City Mayor with the approval of the City Council. The Board meets at least quarterly.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(10) Commitments and Contingencies (Continued)

The start-up costs, design, land acquisition and construction were funded by equal contributions from the County and City. The contributions and commitments from each entity to date is approximately \$5.8 million. A final reconciliation will be done to ensure costs have been split equally between the County and City. The facility opened in May of 1997.

The facility is to be self-supporting for operations, equipment, future construction, debt service, accumulation of a reserve fund and all other costs through fees charged to the County, the City, and other private users. The land for the facility was purchased by the County and transferred to the Agency. The facility itself belongs to the Agency. The Agency has adopted its rate ordinance for use of the facility. If, for any reason, revenues are insufficient to pay costs of operations, the Agency Board must notify the County and City in order to negotiate steps that are reasonable and prudent in light of existing circumstances to ensure that any deficits accumulated or incurred by the Agency are not allowed to impair the operation, integrity or credit worthiness of the Agency. A bond issue was authorized in December 1996, by the Agency in the amount of \$6,260,000 to provide funds for the equipment required for the facility and the construction of the second landfill cell.

The Agency has its own financial statements as a separate entity, audited on an annual basis. Complete financial statements for the Agency may be obtained at the Santa Fe Solid Waste Management Agency, 165 Caja Del Rio Road, Santa Fe, New Mexico 87502-6189.

Closure of the facility must be approved by the governing bodies of the County and City. Upon closure and sale of the facility, any proceeds remaining after settling all obligations will be split equally between the County and City.

Regional Emergency Communications Center District – Under the authorization of the New Mexico State Statue 11-1-1 through 11-1-7 and pursuant to the New Mexico Enhanced 911 Act 63-9D-41, the County and the City of Santa Fe have jointly undertaken their powers to operate and manage the Regional Emergency Communications Center District (RECC) to provide a more efficient and cost-effective method of providing centralized emergency enhanced 911 dispatch services to the region. The RECC was established as of July 1, 2002 as a public entity separate from the city or county. The Board of Directors consist of the City Manger, the City Police Chief, the City Fire chief, the County Manager, the County Sheriff, the County Fire Chief, and one member appointed by the City and County Managers to represent the community at-large. The operations physically lease space in a County facility. The salaries for the Director, the IIT Manager, and the initial equipment are shared equally by the City and County. The City provides funding for 69% of the expenses and the County provides 31%, an allocation which is reviewed annually to be based on the number of calls received from each jurisdiction.

The RECC Agency has its own financial statements as a separate entity, audited on an annual basis. The City serves as the fiscal agent. Complete financial statements for the Agency may be obtained at the Regional Emergency Communications Center, South Highway 14, No. 35 Camino Justicia, Santa Fe NM

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County belongs to the New Mexico County Insurance Authority (NM CIA), a public entity risk pool currently operating as a common risk management and insurance program for its member counties. The County pays an annual premium to NM CIA for all of its general and workers' compensation insurance coverage. The agreement for formation of the NM CIA provides that NM CIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of amounts that range from \$150,000 for property to \$300,000 for other liability claims.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(10) Commitments and Contingencies (Continued)

Legal Proceedings

The County is subject to various legal proceedings which arise in the ordinary course of the County's operations. In the opinion of the County's management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the County.

Arbitrage Rebate

The County has determined that it is probable it will owe an arbitrage rebate to the Internal Revenue Service (IRS) on the excess interest income earned on the February 1, 1997 Bond Issues. The amount owed to the IRS has not been determined as of June 30, 2004. The County believes the amount will not have a material impact on the financial position or operations of the County.

Operating Leases

The County leases land and various equipment under operating leases. Leases are subject to future appropriation and as such cancelable by the County at the end of a fiscal year. Rental expense for the year ended June 30, 2004 was \$125,000.

The future minimum lease payments under operating leases for the County is as follows:

Year ending June 30,

2005	\$ 185,738
2006	185,942
2007	189,153
2008	191,801
2009	679,398
2010-2014	<u>1,295,919</u>
	<u>\$ 2,727,951</u>

(11) Accounting Standard Pronouncements

In March 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40 "Deposit and Investment Risk Disclosures" which is effective for the County's fiscal year ending June 30, 2005. The effect on the County will require additional footnote disclosures related to deposits and investments.

In November 2003, GASB issued Statement 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" which is effective for the County's fiscal year ending June 30, 2006. The effect on the County is how a capital asset impairment will be measured, reported and disclosed in the financial statements and the accounting for any insurance recovery.

In April 2004, GASB issued Statement 43 "Financial Reporting for Post Employment Plans other than Pension Plans and in June 2004, which is effective for the County's fiscal year ending June 30, 2008. GASB issued Statement 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions" which is effective for the County's fiscal year ending June 30, 2009. The County has not assessed the future impact on its financial statements due to these GASB pronouncements.

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APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation
SPECIMEN

President

Attest: _____
Secretary

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